

MONTH IN PICTURES

**DECEMBER
2022**

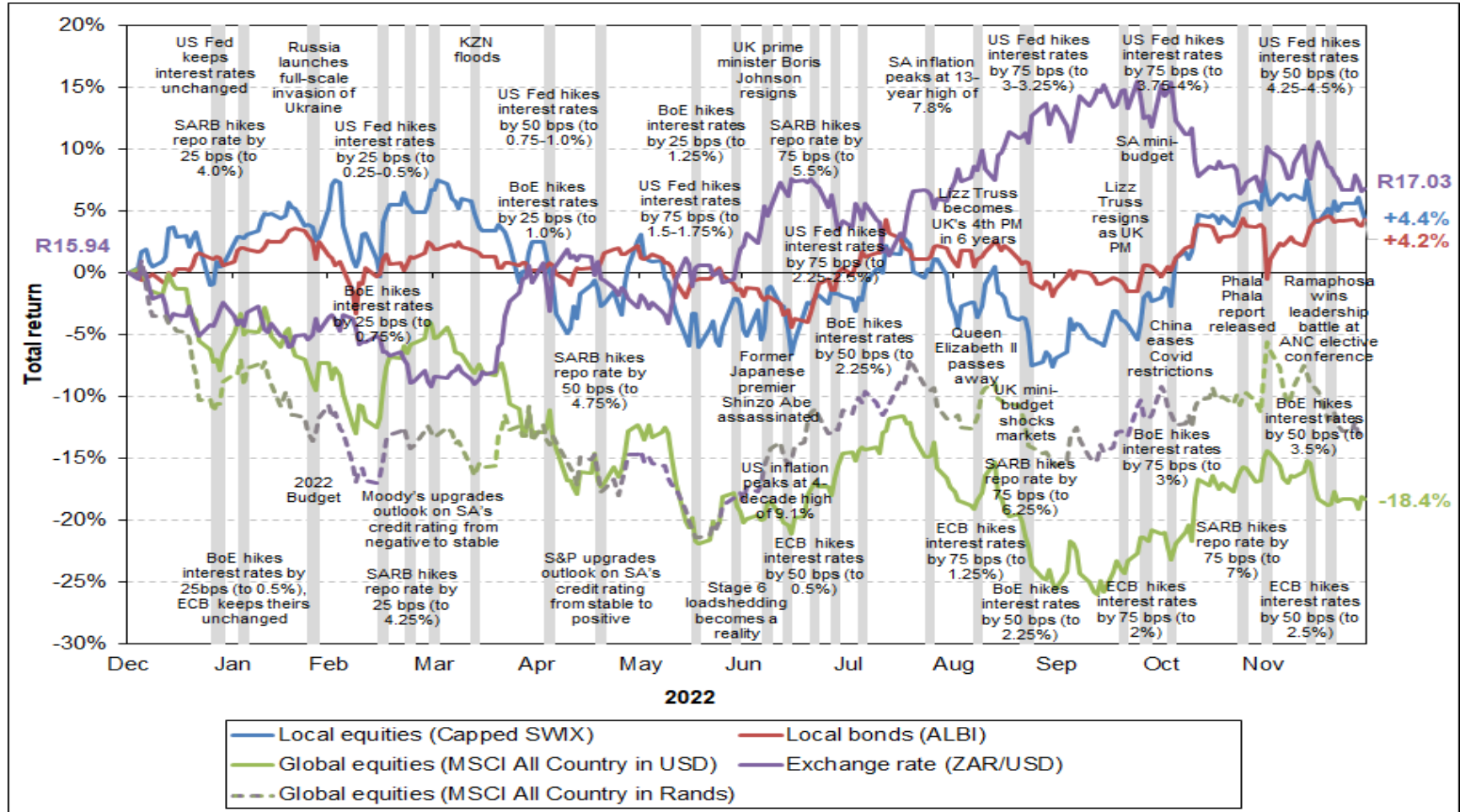
MONTHLY SNAPSHOT

NOTABLE EVENTS

- Markets took a breather in December after the healthy inflation-moderating- and China-reopening-driven returns of October and November. Local stocks fell by 2-3% during the month, while global stocks retreated by 4% in USD, and 5% in ZAR, as the Rand continued its recovery (it closed the year at R17.03/USD).
- Bonds were little changed for the month, with the local market gaining 0.6% and global bonds losing 1.3%, the latter mostly due to Rand strength. Although the Rand appreciated, this was accompanied by some significant volatility, first weakening significantly on the back of Ramaphosa's possible resignation following the incriminating S89 panel report on Phala Phala, before recovering these losses (and then some) as Ramaphosa successfully defended his leadership position at the ANC's 55th elective conference.
- With inflation pressures abating and fears of recession rising, central banks have started to slow, but not yet stop, the pace of interest rate hikes. After a number of 75 basis point (bp) hikes throughout last year, December saw a few 50 bp hikes in the EU, UK, and US instead, with the latter's policy rate now at 4.25-4.5%, and expected to peak around 5-5.5%.
- In SA the local inflation rate also ended the year lower at 7.2% (from 7.4% in November and a peak of 7.8% in July), prompting the Reserve Bank (SARB) to take a step back and announce a lower increase of just 25 bps at their January 2023 meeting, bringing the repo rate to 7.25% (up 3.75% from its 2020 low of 3.5%). Concerningly the SARB cut their economic growth forecasts even further to just 0.3% in 2023 and 0.7% in 2024, with loadshedding expected to knock 2% off our already-weak GDP figures.
- Despite some year-end jitters 2022 Q4 was otherwise an excellent quarter for the markets, as local equities enjoyed double-digit gains (ALSI = +15% & Capped SWIX = +12%) and local bonds returned a solid +6%. At the same time, a sharply appreciating Rand (+6% against the US Dollar) eroded most of the almost as-strong USD returns from the global equity and bond markets (which ended up delivering +3% and -2%, in ZAR, respectively). The average balanced fund * thus returned +7% in Q4, largely erasing its earlier losses.
- Were it not for Q4 the results could have been much worse, but after 2021's bonanza 2022 still turned out to be a low-return year, as global markets buckled under the pressure of aggressive interest rate hikes amid multi-decade-high inflation numbers. In this environment steep losses on global markets (equities & bonds = -13%) largely offset the small gains eked out by our local ones (equities & bonds = +4%), with the average balanced fund * ending the year marginally down (-0.2%), compared to the +/-20% gains of 2021.
- It has certainly been a tumultuous last three years, with a pandemic, lockdowns, a war and rising inflation and interest rates causing a lot of volatility on global markets. Despite this very tough backdrop the average balanced fund * has returned +8% p.a. over this period, comfortably ahead of cash (+4.8% p.a.) and inflation (+5.4% p.a.).

ANNUAL TIMELINE

IMPACT ON MARKETS



MARKET INDICATORS

SHORT TERM

Market indicators (% change) ¹		Oct 2022	Nov 2022	Dec 2022	3 months	YTD	12 months
Local equities	ALSI	4.9	12.3	(2.3)	15.2	3.6	3.6
	Capped SWIX	5.3	9.6	(2.8)	12.2	4.4	4.4
	Resources	3.7	16.0	(3.5)	16.1	8.6	8.6
	Industrials	1.7	14.0	(0.3)	15.7	(3.7)	(3.7)
	Financials	13.2	4.9	(5.7)	11.9	8.6	8.6
	Listed Property	11.0	6.3	1.1	19.3	0.5	0.5
Local bonds	ALBI	1.1	3.9	0.6	5.7	4.3	4.3
Local cash	STeFI Composite	0.5	0.5	0.6	1.6	5.2	5.2
Global equities	MSCI All Country	7.6	1.1	(5.0)	3.3	(12.8)	(12.8)
Global bonds	FTSE WGBI	0.9	(2.0)	(1.3)	(2.3)	(12.7)	(12.7)
Exchange rate	ZAR/USD	1.5	(6.2)	(1.1)	(5.9)	6.8	6.8
Inflation	CPI	0.4	0.3	0.4	1.0	7.2	7.2

1. Total returns (in Rands) for the months and periods ending 31 December 2022.

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	3.6	12.7	8.0	9.9	9.8	14.3
	Capped SWIX	4.4	10.1	4.9	8.3	-	-
	Resources	8.6	20.3	20.9	8.3	5.8	10.8
	Industrials	(3.7)	10.9	4.1	9.8	12.0	16.9
	Financials	8.6	4.2	0.7	7.6	8.5	13.0
	Listed Property	0.5	(3.4)	(7.2)	2.8	7.0	13.8
Local bonds	ALBI	4.3	7.1	7.8	7.1	8.3	8.9
Local cash	STeFI Composite	5.2	4.8	5.8	6.1	6.7	7.2
Global equities	MSCI All Country	(12.8)	11.0	12.2	15.9	11.4	11.8
Global bonds	FTSE WGBI	(12.7)	0.6	3.9	6.0	7.3	5.9
Exchange rate	ZAR/USD	6.8	6.7	6.6	7.3	6.3	3.5
Inflation	CPI	7.2	5.4	4.9	5.2	5.5	5.2

1. Total returns (in Rands) for the months and periods ending 31 December 2022.

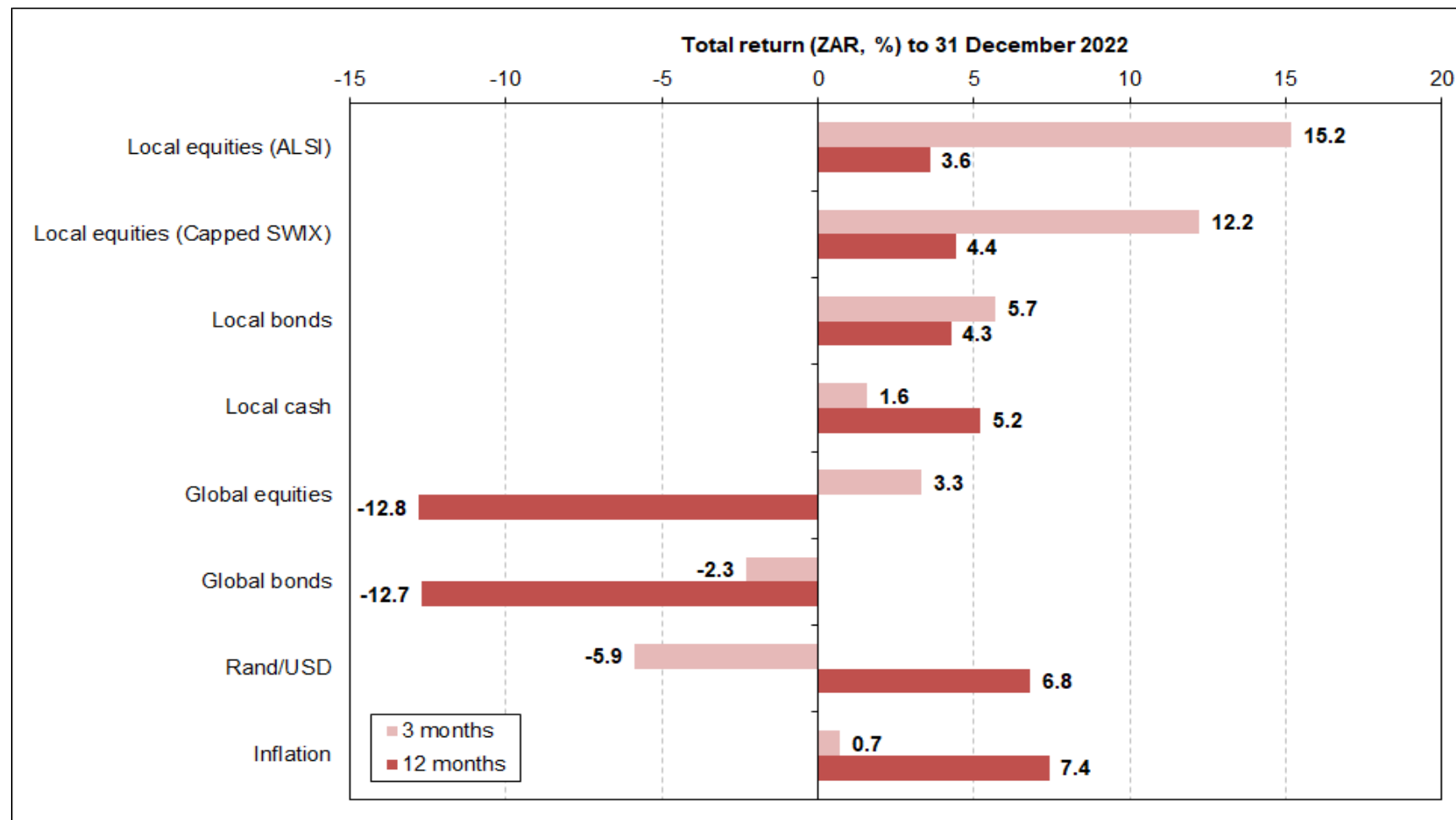
ECONOMIC INDICATORS

Economic indicators ¹	Dec 2020	Dec 2021	Oct 2022	Nov 2022	Dec 2022
Exchange rates:					
ZAR/USD	14.69	15.94	18.35	17.21	17.03
ZAR/GBP	20.08	21.56	21.04	20.76	20.59
ZAR/Euro	17.95	18.13	18.14	17.92	18.22
Commodities:					
Brent Crude Oil (USD/barrel)	51.80	77.78	92.81	86.97	85.91
Platinum (USD/ounce)	1,069.93	969.00	934.50	1,018.00	1,073.00
Gold (USD/ounce)	1,894.23	1,829.32	1,640.97	1,759.80	1,823.95

1. Month-end prices

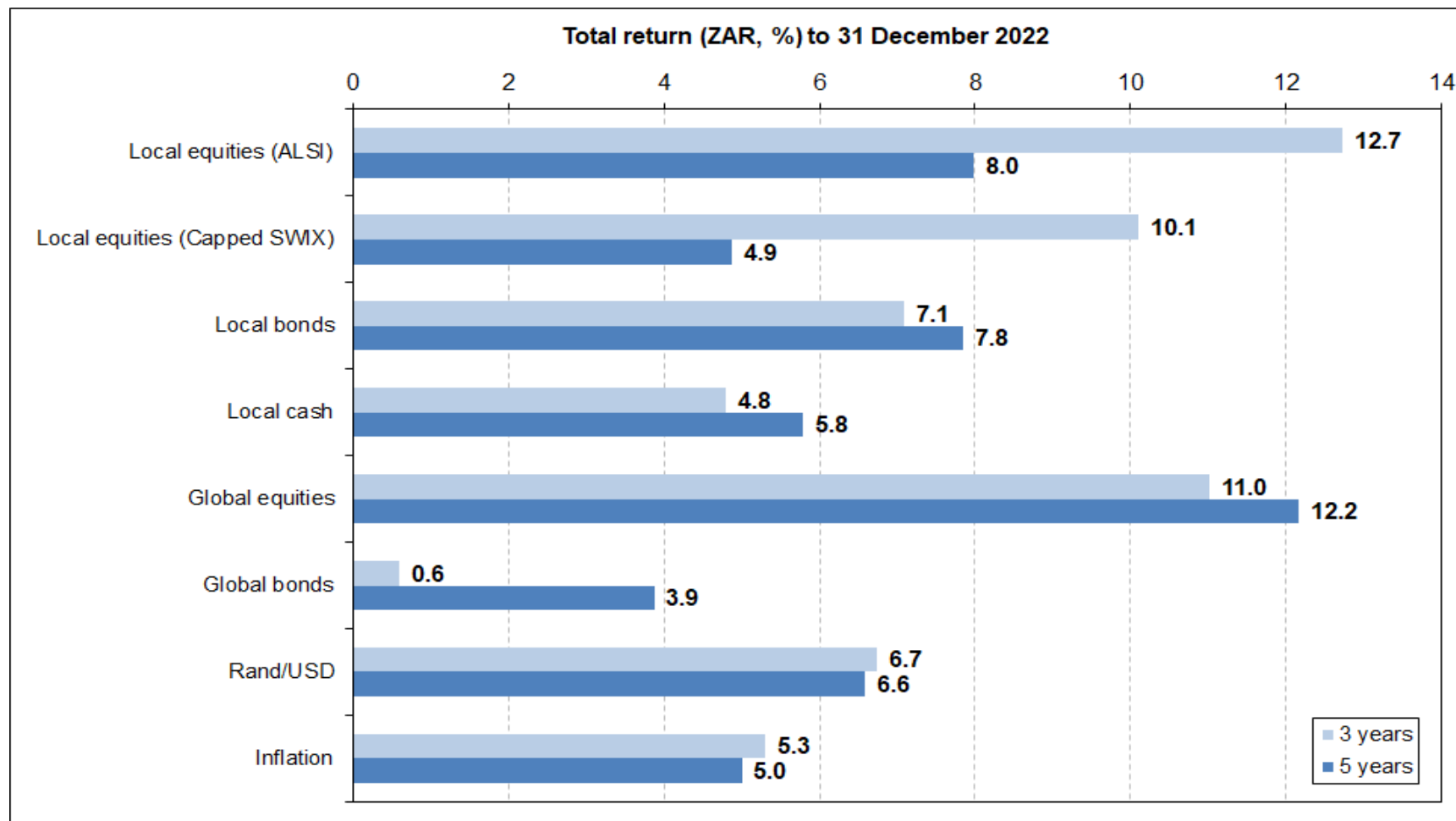
ASSET CLASS PERFORMANCE

SHORT TERM



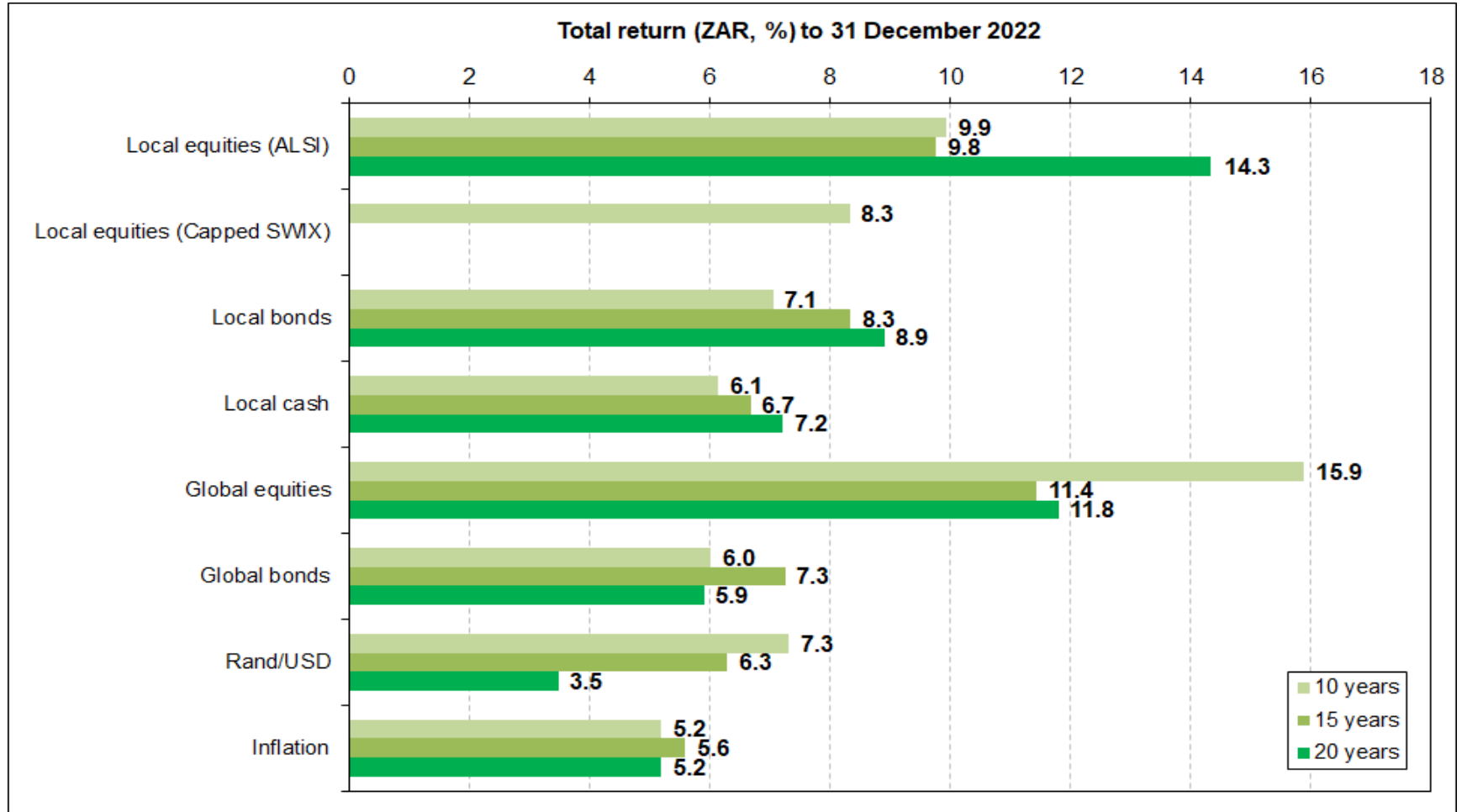
ASSET CLASS PERFORMANCE

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:

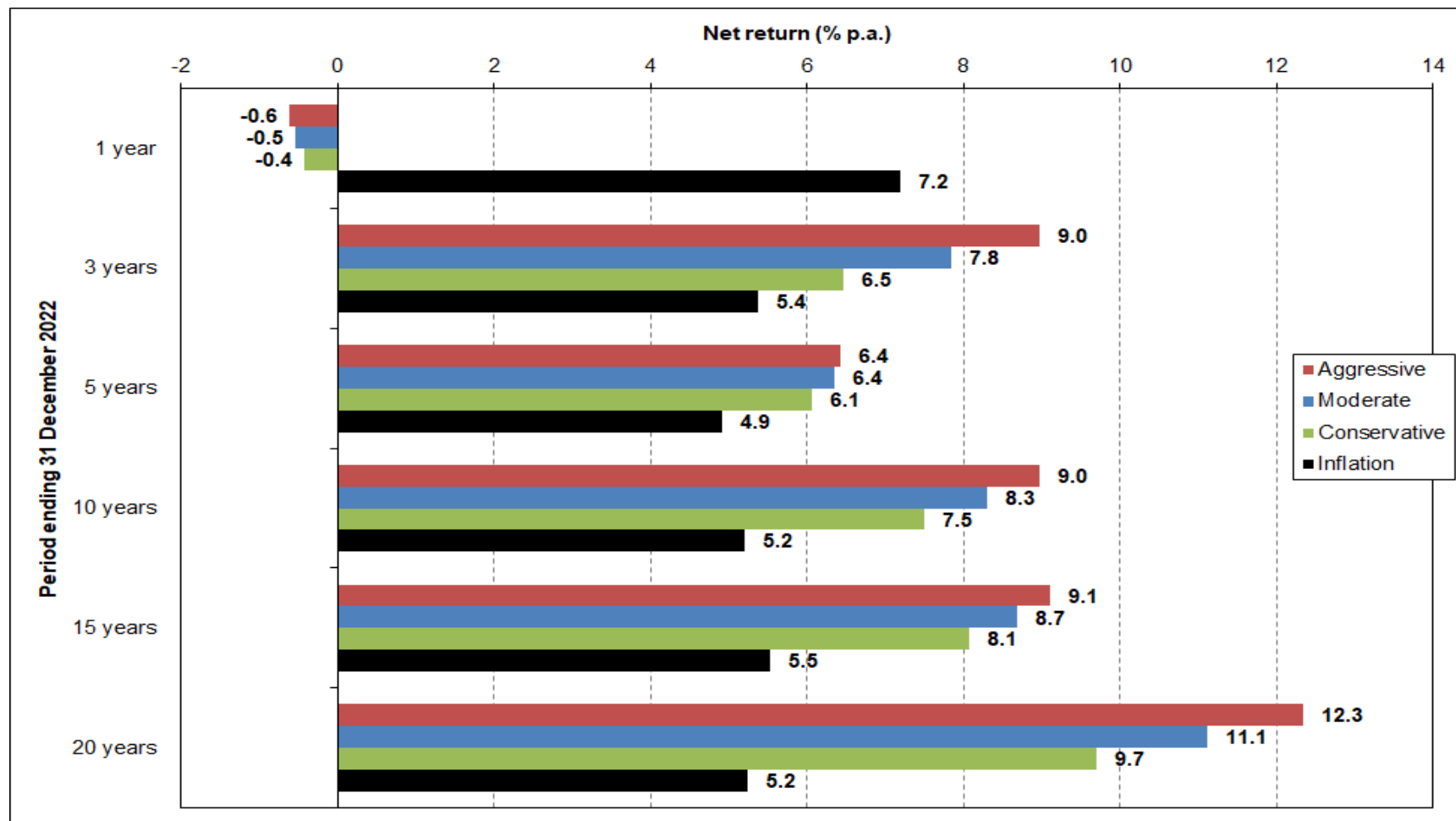
AGGRESSIVE	Strategic allocation	LOCAL VS OFFSHORE	60%		40% (5% below regulatory maximum)	
		GROWTH VS INCOME ASSETS	75%	25%	75%	25%
		EQUITIES VS BONDS VS CASH	100%	75% 25%	100%	100%
	Current allocation		~45%	~11% ~4%	~30%	~10%

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%

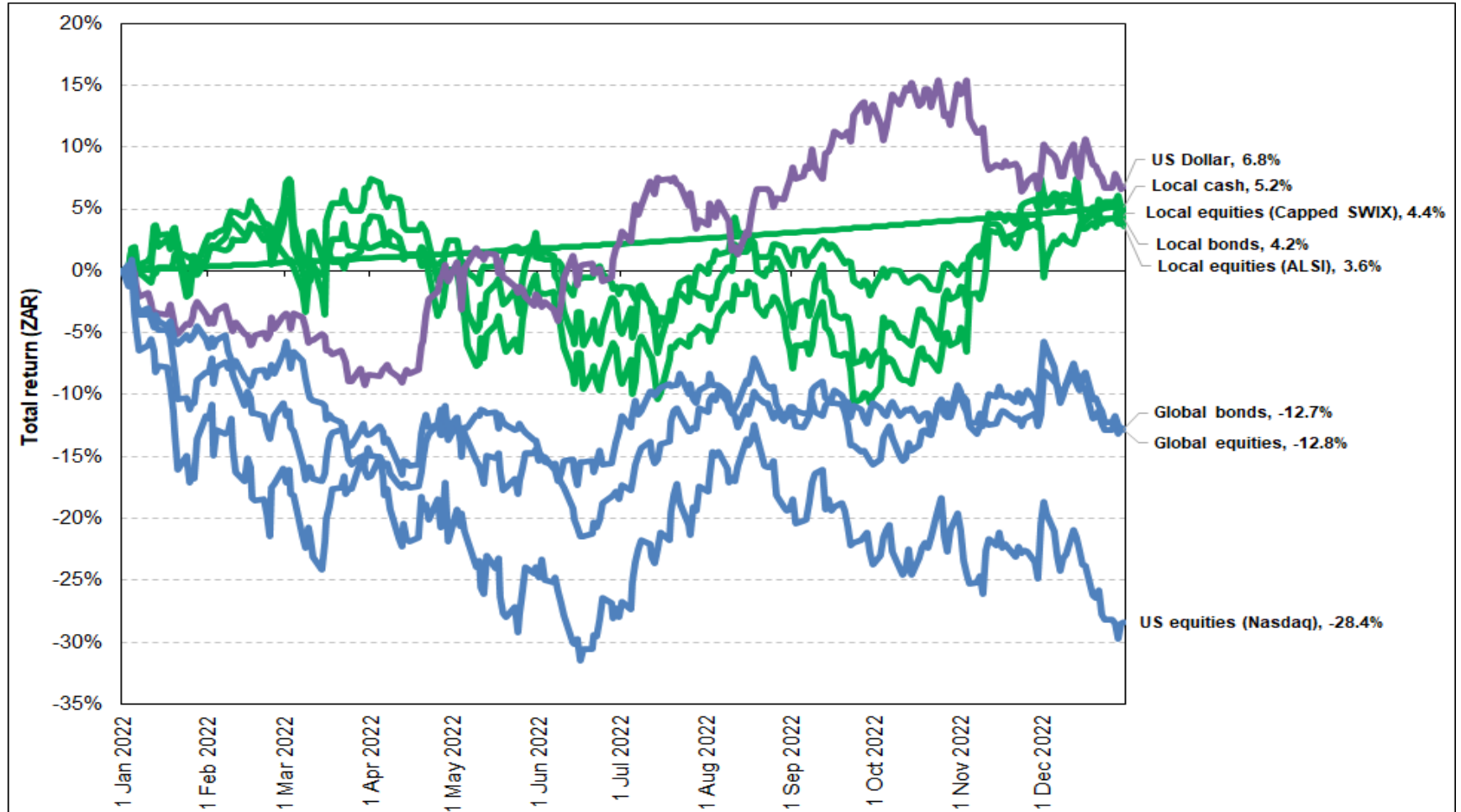
MARKET PERFORMANCE

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



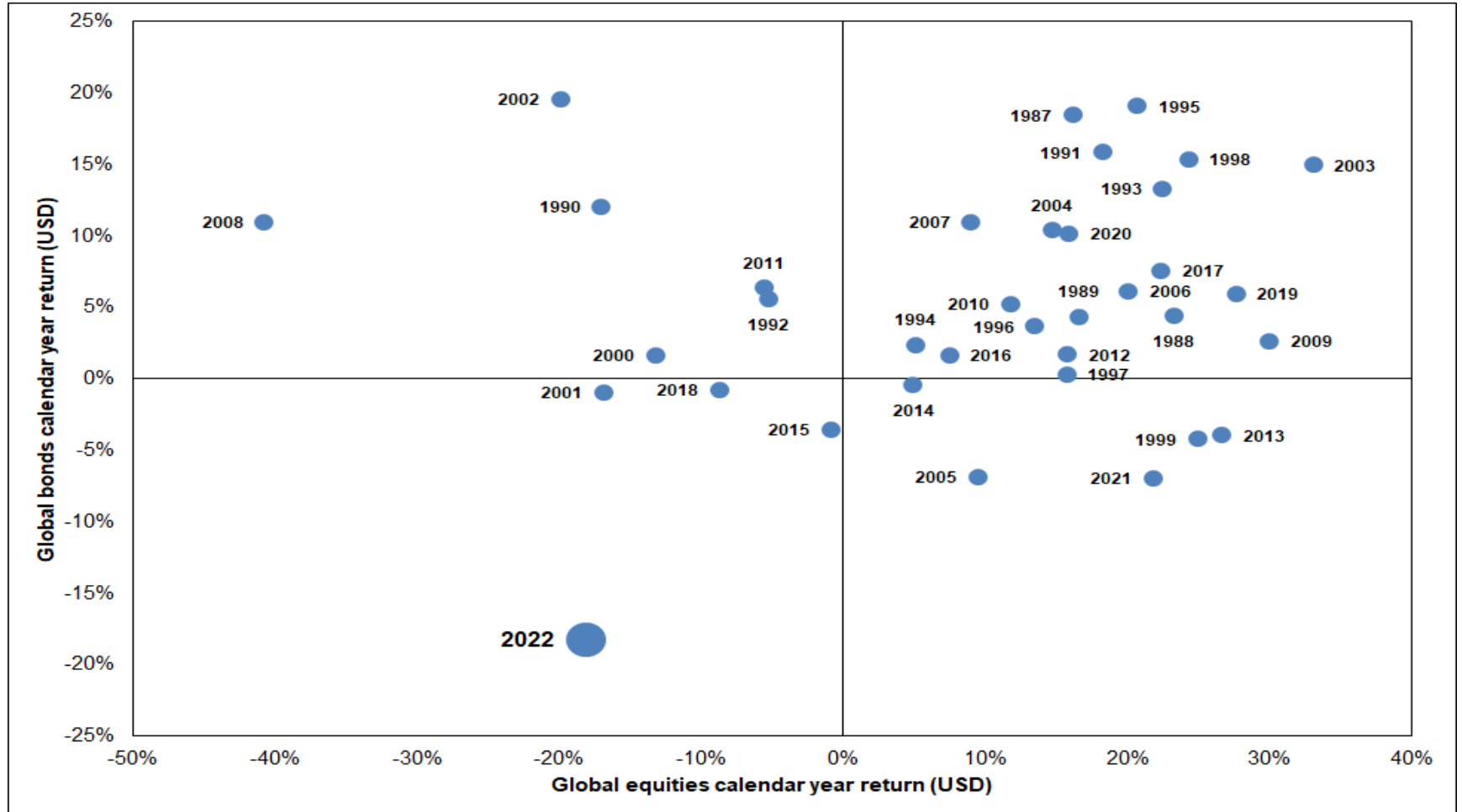
MARKETS in 2022 (ZAR)

IT WAS A TOUGH YEAR...



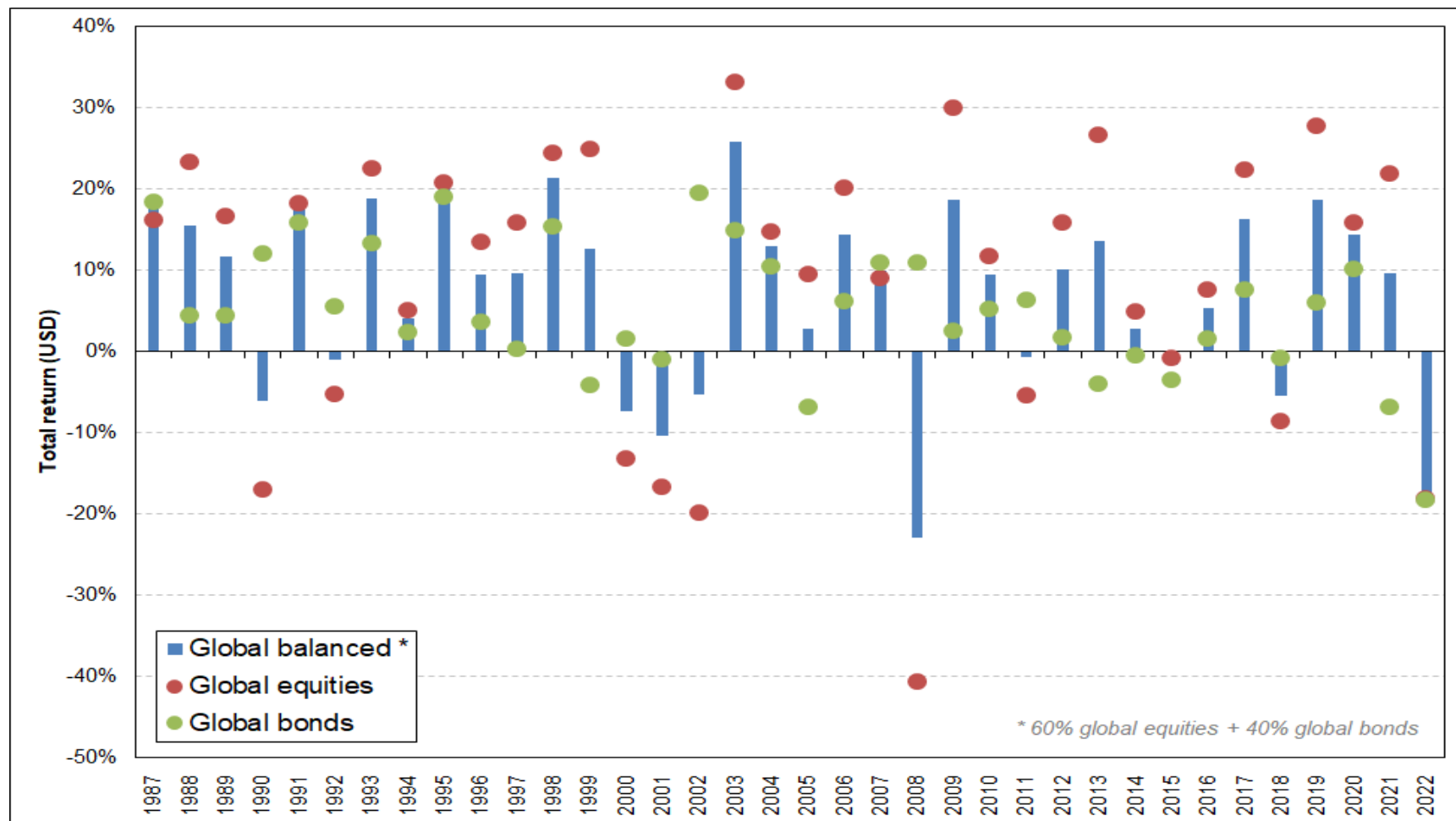
MARKETS in 2022 (USD)

...ESPECIALLY FOR GLOBAL MARKETS...



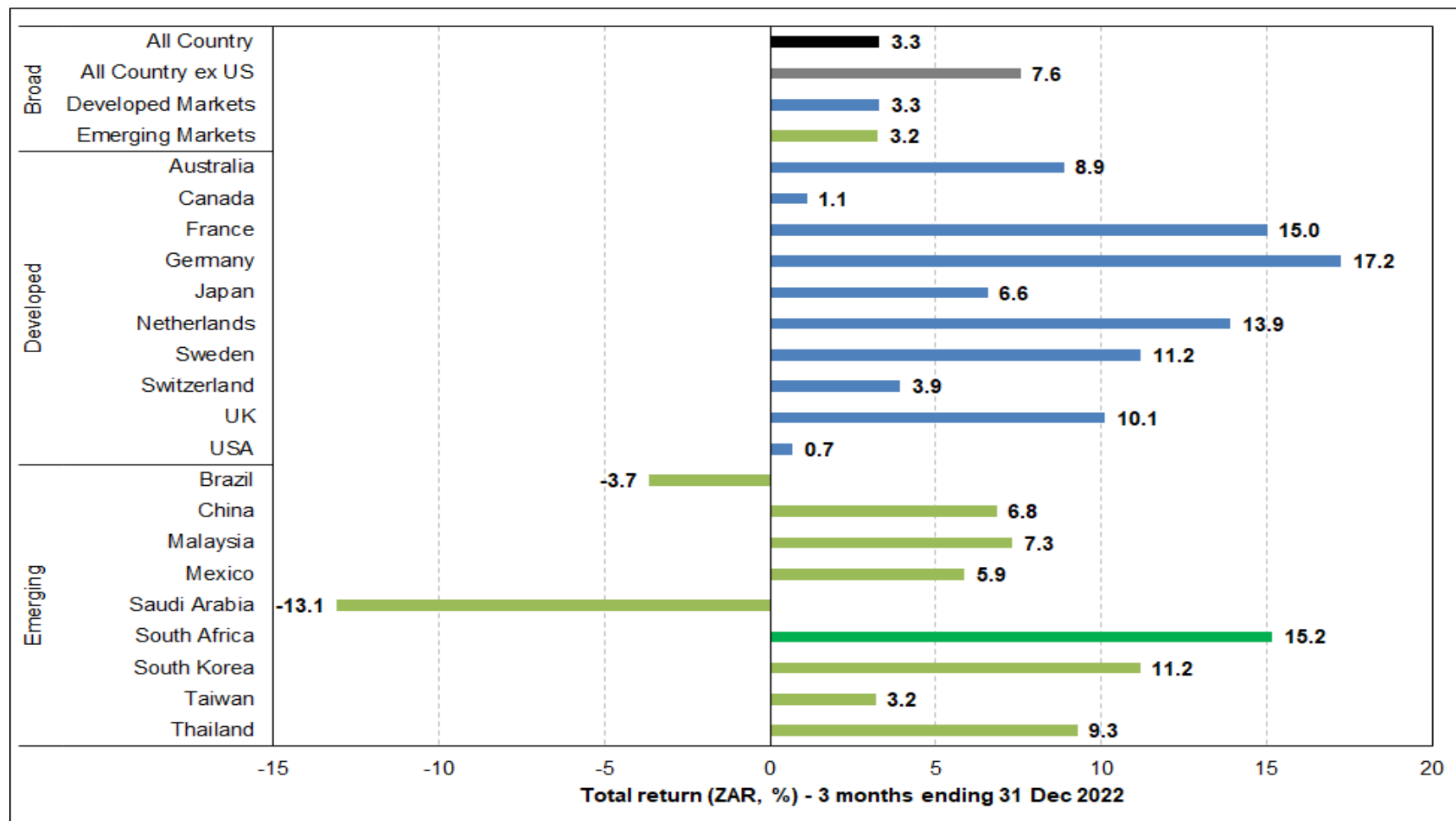
MARKETS in 2022 (USD)

...AND THUS GLOBAL BALANCED PORTFOLIOS



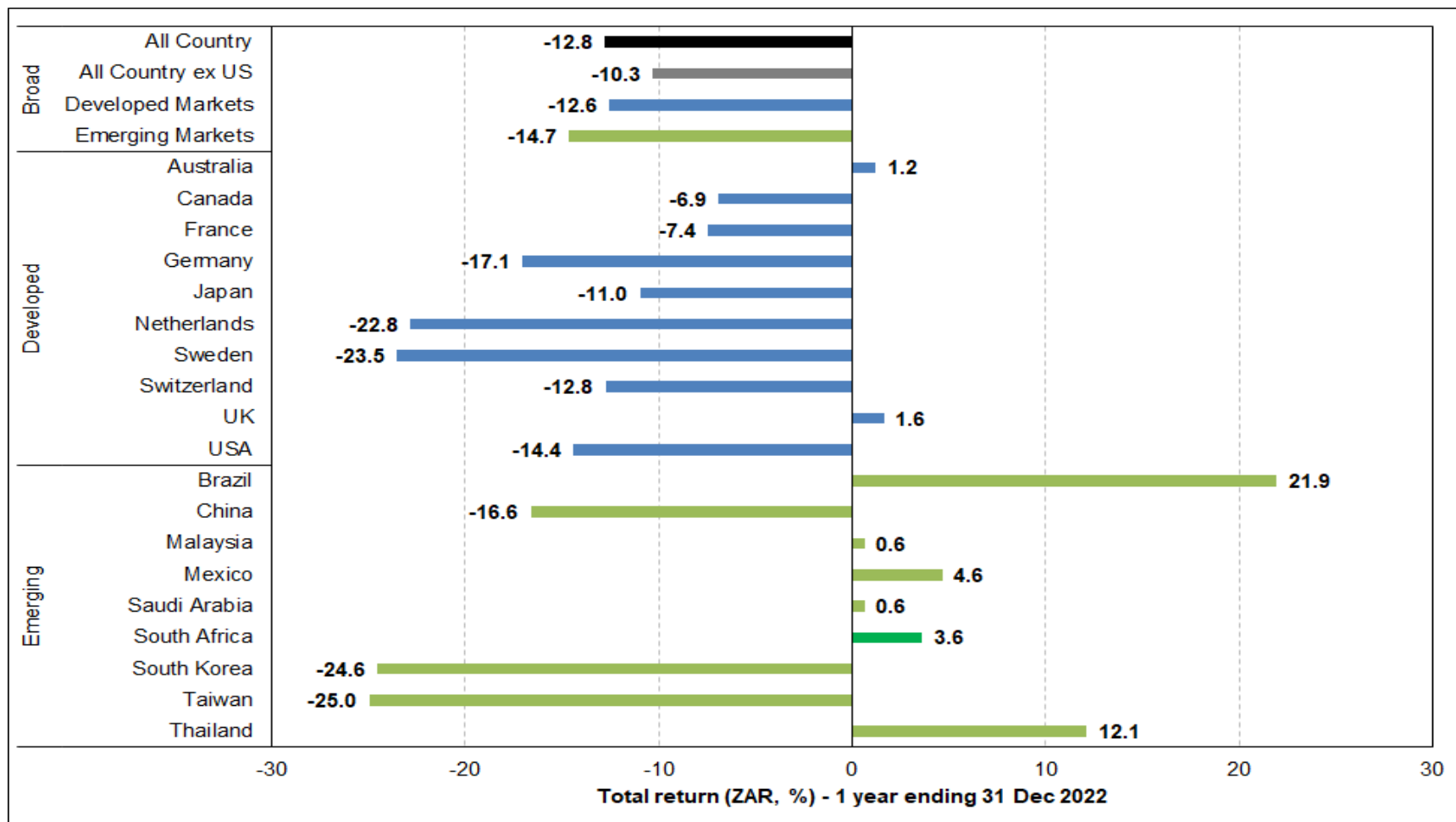
GLOBAL EQUITIES in 2022 Q4 (ZAR)

A STRONG CLOSING QUARTER...



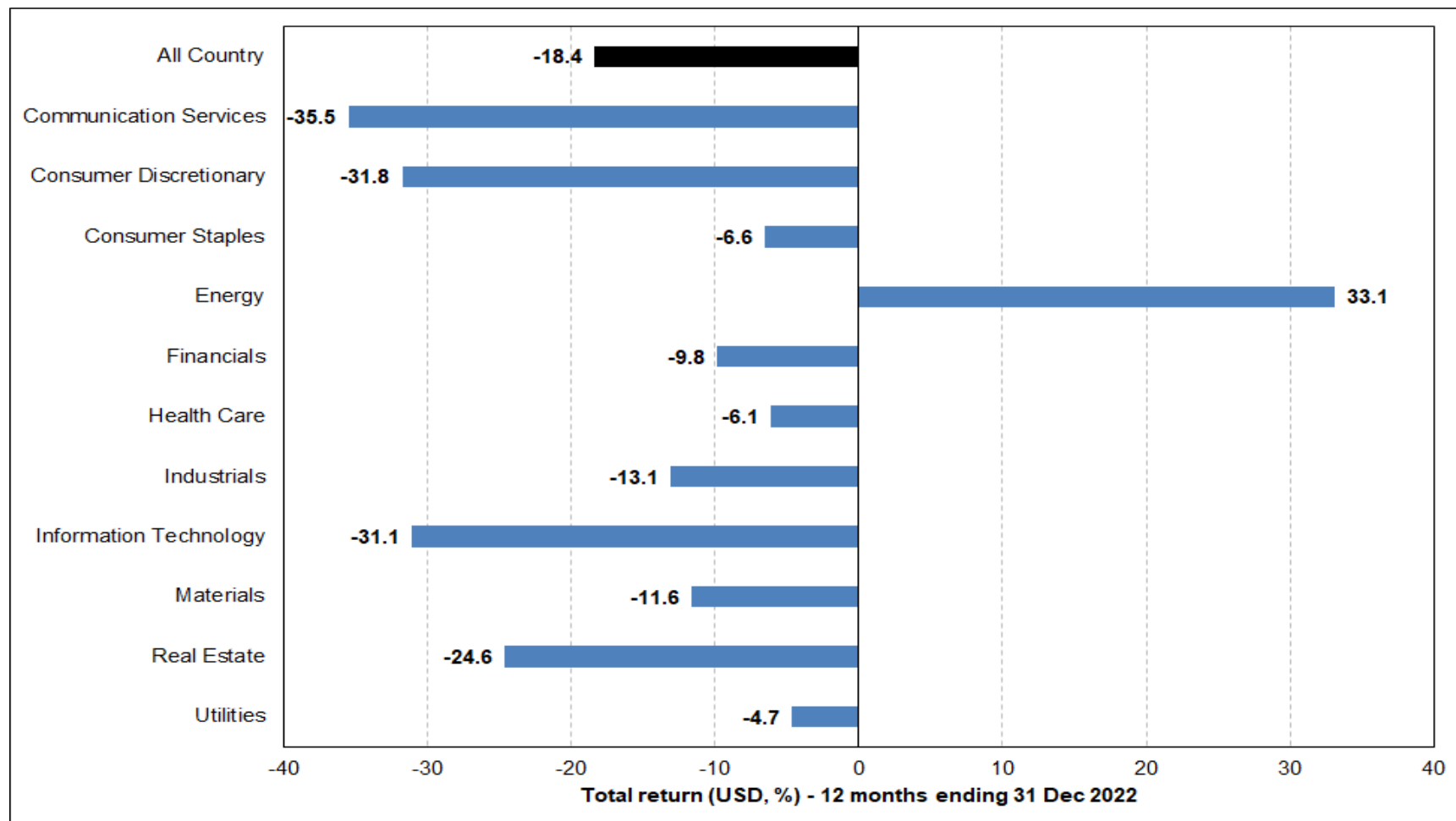
GLOBAL EQUITIES in 2022 (ZAR)

...BUT A VERY TOUGH YEAR, IN WHICH SA OUTPERFORMS



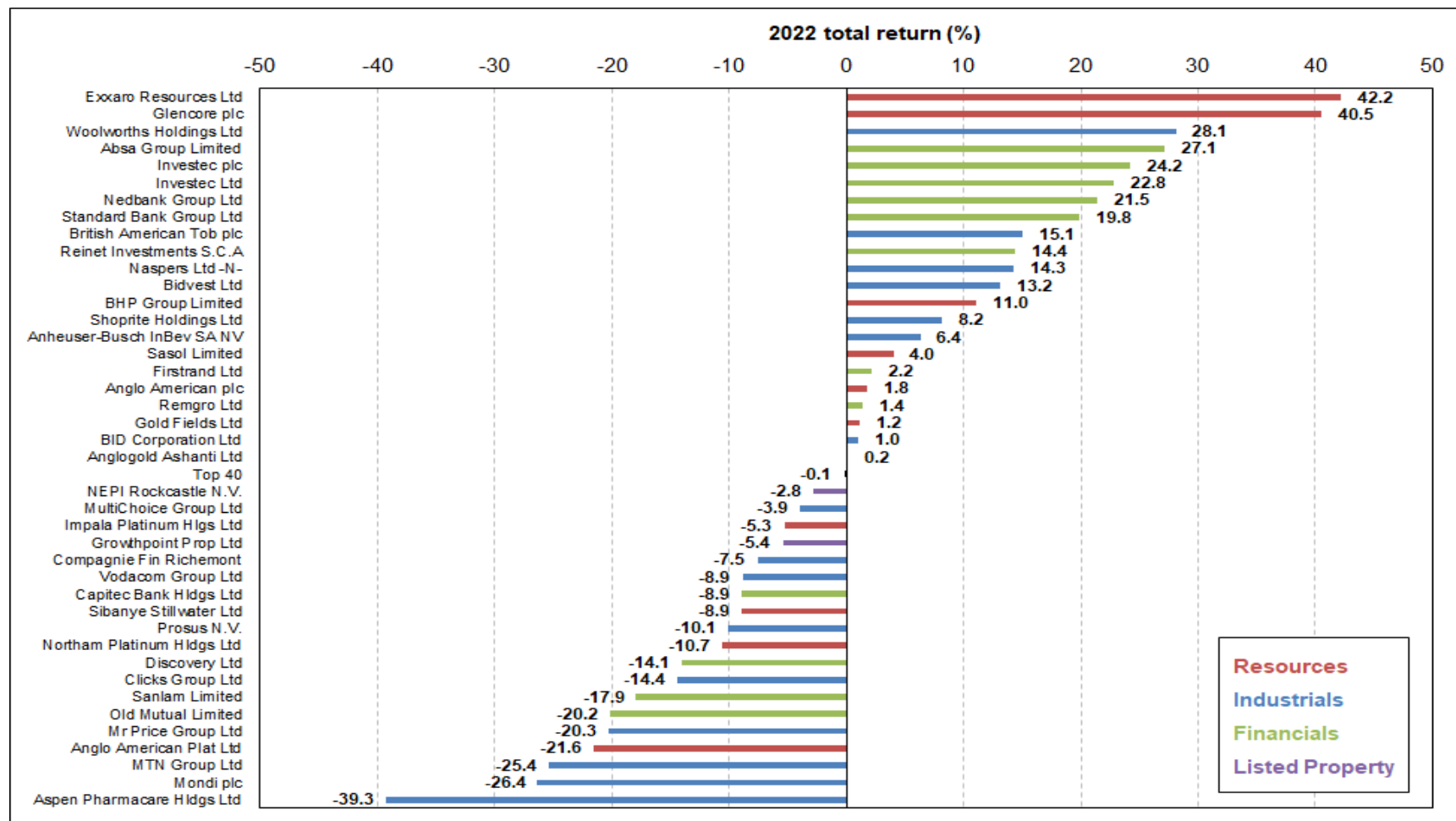
GLOBAL EQUITIES in 2022 (USD)

ENERGY THE ONLY SHINING LIGHT IN 2022



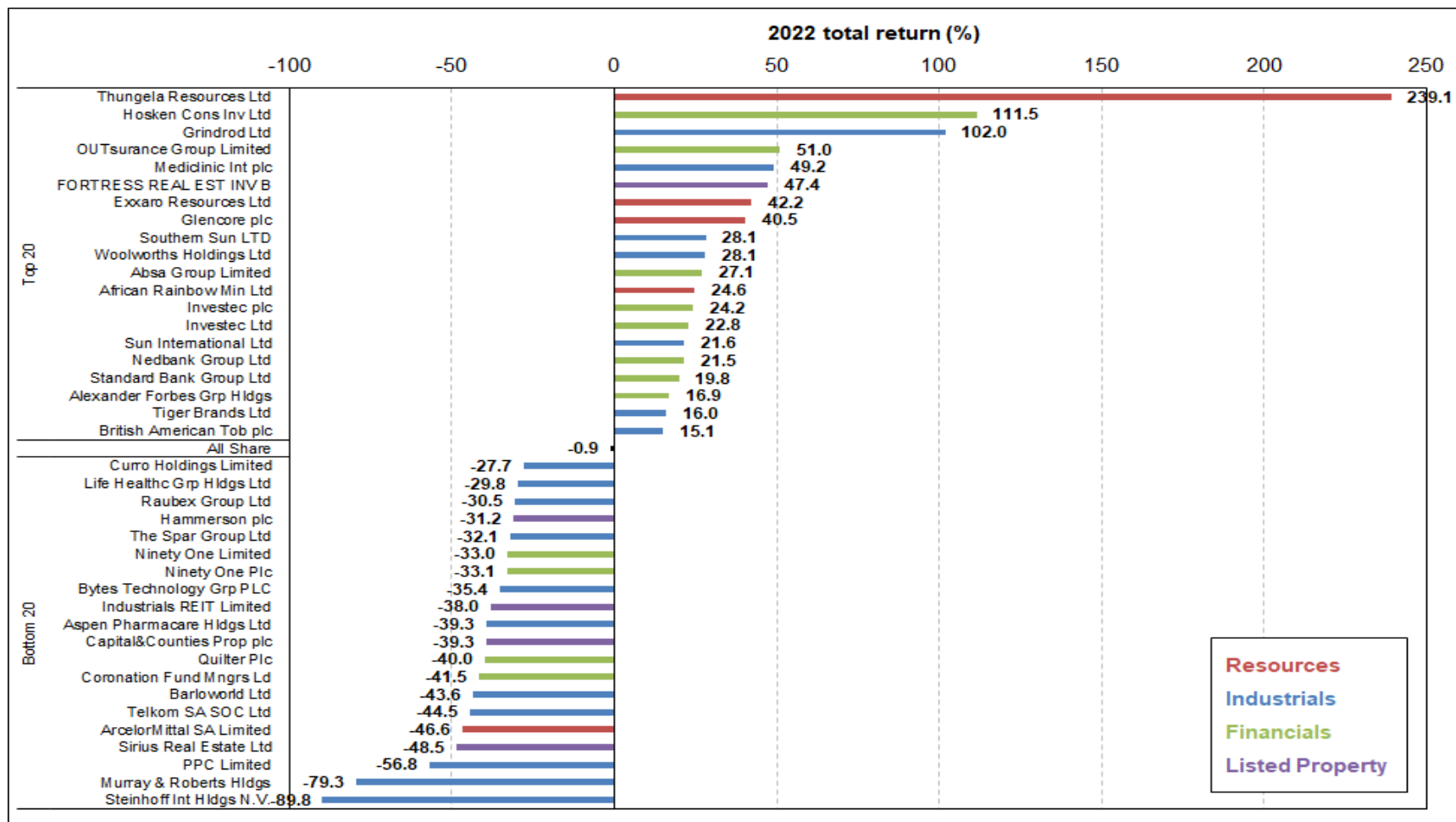
LOCAL EQUITIES in 2022 (TOP 40)

COAL MINERS & BANKS IN THE POUND SEATS ON RISING ENERGY PRICES AND INTEREST RATES



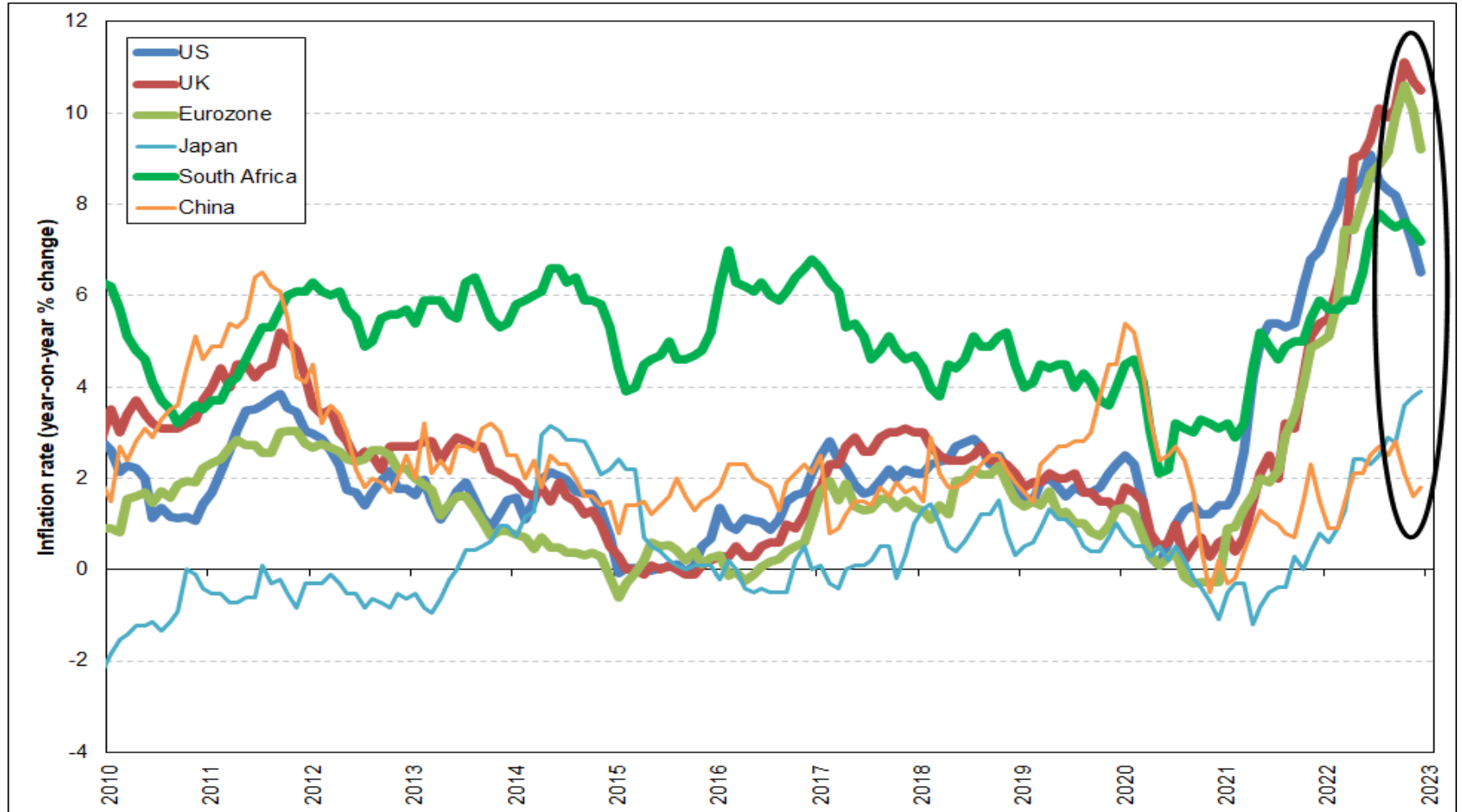
LOCAL EQUITIES in 2022 (ALSI)

COAL MINERS & BANKS IN THE POUND SEATS ON RISING ENERGY PRICES AND INTEREST RATES

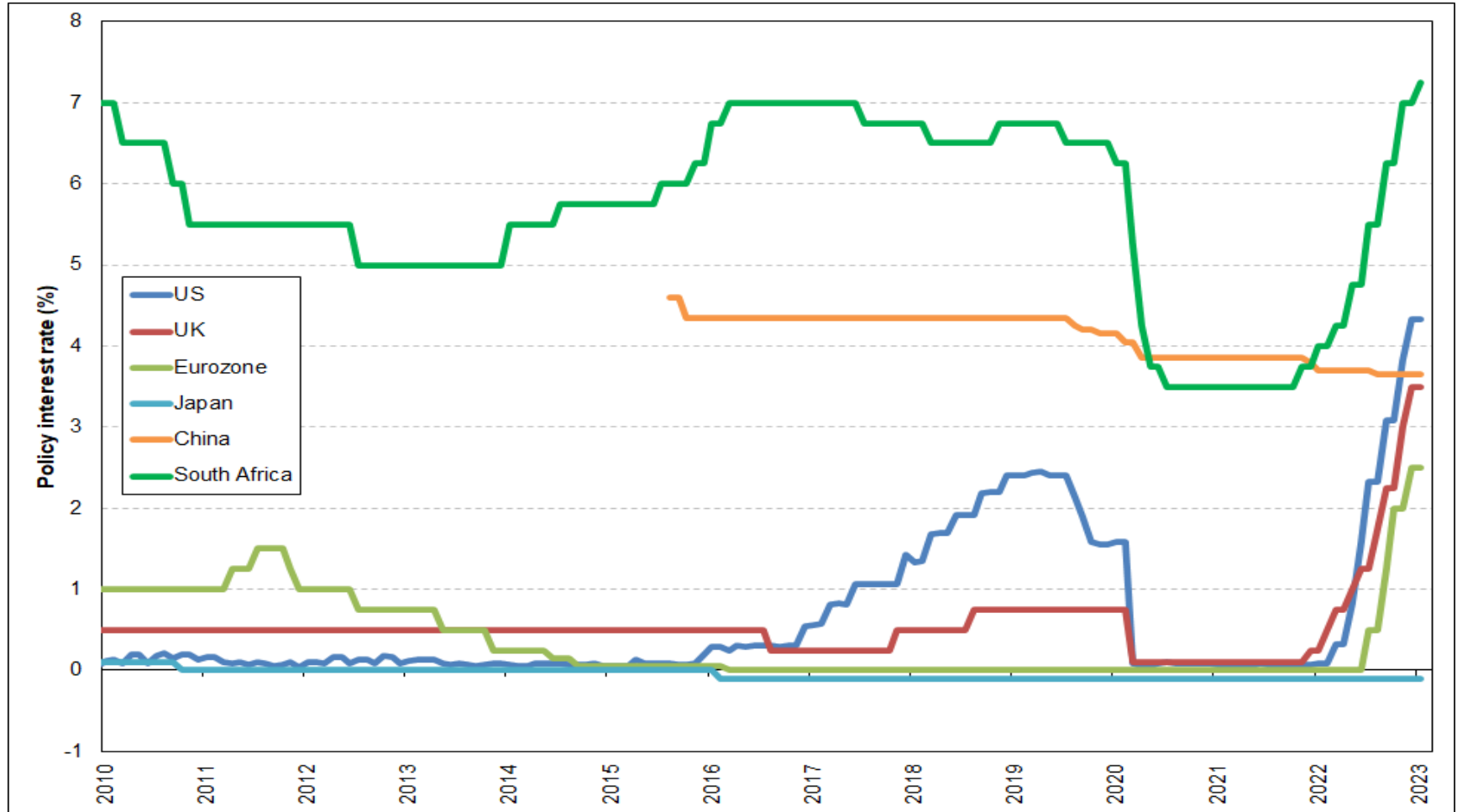


INFLATION

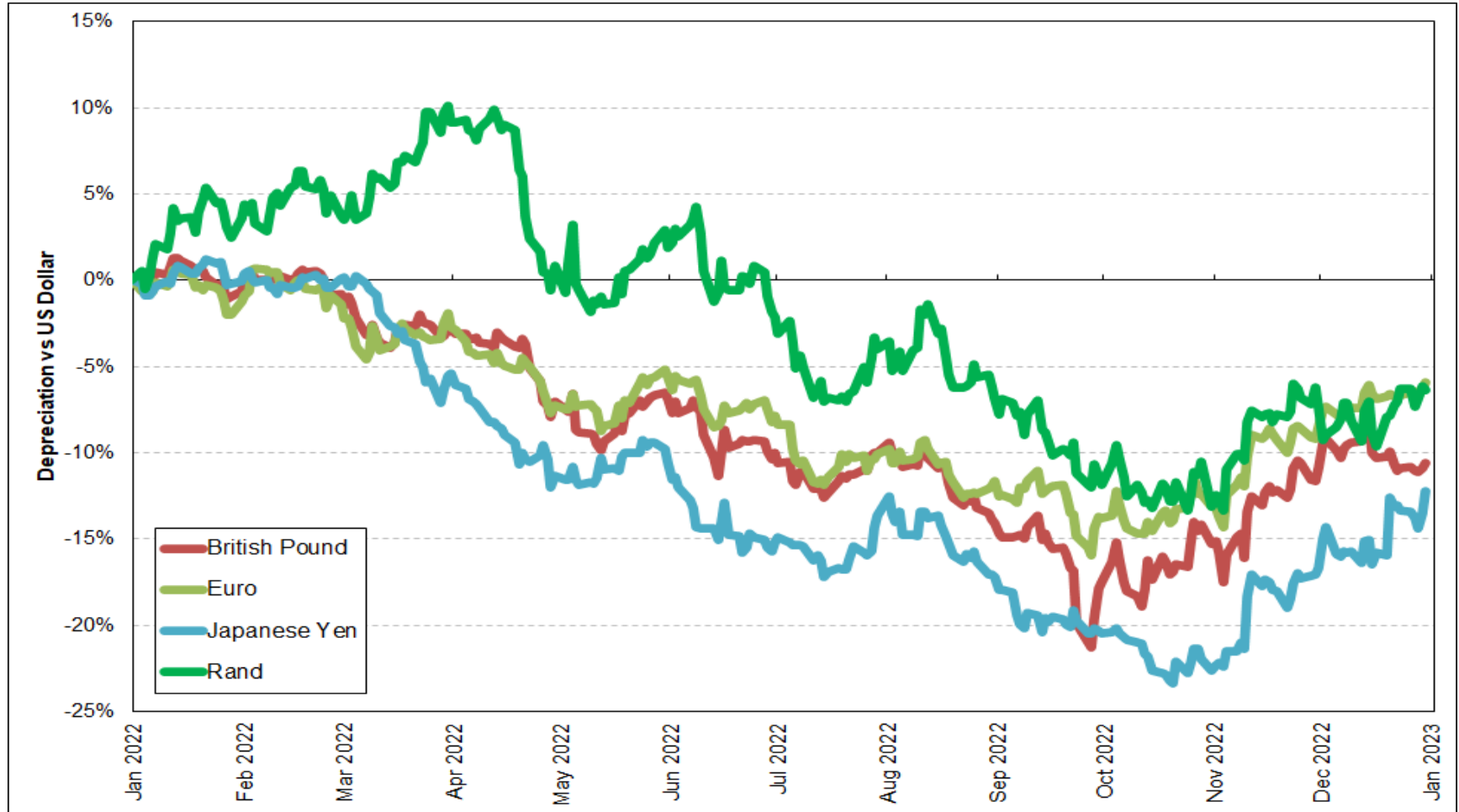
STILL HIGH, BUT STARTING TO MODERATE



INTEREST RATES STILL GOING UP, BUT MORE SLOWLY



US DOLLAR HAD A STRONG YEAR, BUT STARTING TO WEAKEN



ASSET CLASSES in 2022

LOW TO NEGATIVE RETURN ALL AROUND

Total asset class returns (in %) at 31 December 2022							
Asset classes		3 months		1 year		3 years	
Local	Equities	ALSI	<div><div></div></div> 15.2	<div><div></div></div> 3.6	<div><div></div></div> 12.7		
		CAPI	<div><div></div></div> 14.9	<div><div></div></div> 4.6	<div><div></div></div> 13.6		
		SWIX	<div><div></div></div> 12.4	<div><div></div></div> 3.6	<div><div></div></div> 8.8		
		Capped SWIX	<div><div></div></div> 12.2	<div><div></div></div> 4.4	<div><div></div></div> 10.1		
		Resources	<div><div></div></div> 16.1	<div><div></div></div> 8.6	<div><div></div></div> 20.3		
		Industrials	<div><div></div></div> 15.7	<div><div></div></div> -3.7	<div><div></div></div> 10.9		
		Financials	<div><div></div></div> 11.9	<div><div></div></div> 8.6	<div><div></div></div> 4.2		
		Property	<div><div></div></div> 19.3	<div><div></div></div> 0.5	<div><div></div></div> -3.4		
		Top40	<div><div></div></div> 17.1	<div><div></div></div> 4.2	<div><div></div></div> 13.7		
		Mid Cap	<div><div></div></div> 8.0	<div><div></div></div> 1.6	<div><div></div></div> 3.9		
		Small Cap	<div><div></div></div> 4.4	<div><div></div></div> 7.6	<div><div></div></div> 19.5		
		Value	<div><div></div></div> 10.4	<div><div></div></div> 10.6	<div><div></div></div> 13.2		
		Growth	<div><div></div></div> 19.6	<div><div></div></div> 1.1	<div><div></div></div> 12.5		
		Interest-bearing	ALBI	<div><div></div></div> 5.7	<div><div></div></div> 4.3	<div><div></div></div> 7.1	
			ALBI (1-3 yrs)	<div><div></div></div> 3.7	<div><div></div></div> 5.7	<div><div></div></div> 7.1	
	ALBI (3-7 yrs)		<div><div></div></div> 4.5	<div><div></div></div> 5.3	<div><div></div></div> 7.8		
	ALBI (7-12 yrs)		<div><div></div></div> 6.3	<div><div></div></div> 4.7	<div><div></div></div> 7.4		
	ALBI (12+ yrs)		<div><div></div></div> 5.8	<div><div></div></div> 3.7	<div><div></div></div> 6.9		
	Government bonds		<div><div></div></div> 5.7	<div><div></div></div> 4.2	<div><div></div></div> 7.0		
	Non-government bonds		<div><div></div></div> 5.6	<div><div></div></div> 5.2	<div><div></div></div> 8.0		
	Inflation-linked bonds		<div><div></div></div> 2.0	<div><div></div></div> 4.3	<div><div></div></div> 7.9		
	Cash		<div><div></div></div> 1.6	<div><div></div></div> 5.2	<div><div></div></div> 4.8		
ZAR/USD		<div><div></div></div> -5.9	<div><div></div></div> 6.8	<div><div></div></div> 6.7			
Global (ZAR)	Equities (All Country)	<div><div></div></div> 3.3	<div><div></div></div> -12.8	<div><div></div></div> 11.0			
	Equities (Developed)	<div><div></div></div> 3.3	<div><div></div></div> -12.6	<div><div></div></div> 12.0			
	Equities (Emerging)	<div><div></div></div> 3.2	<div><div></div></div> -14.7	<div><div></div></div> 3.9			
	Bonds	<div><div></div></div> -2.3	<div><div></div></div> -12.7	<div><div></div></div> 0.6			

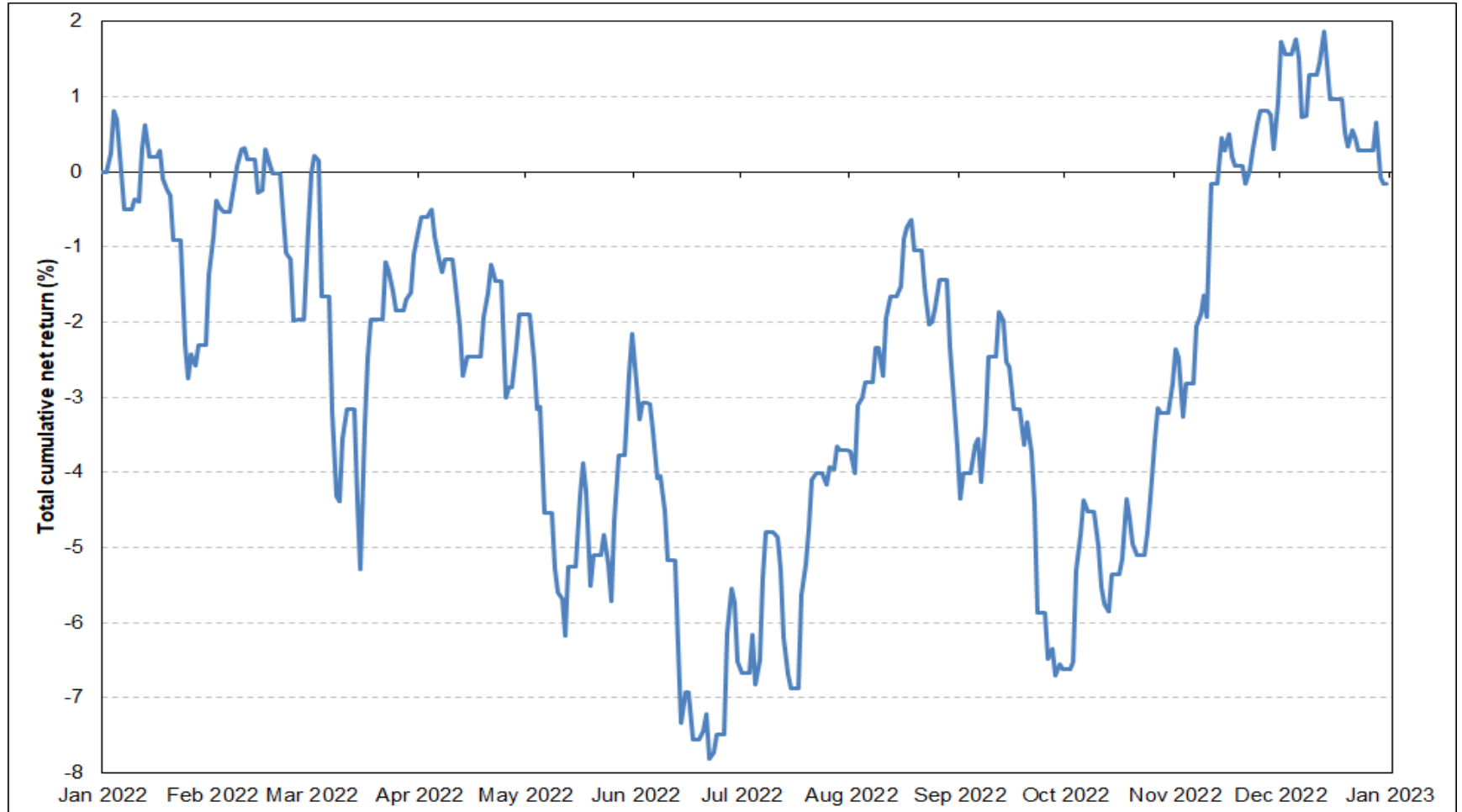
UNIT TRUSTS in 2022

LOW TO NEGATIVE RETURN ALL AROUND

Average unit trust returns (in %) at 31 December 2022							
ASISA category		3 months		1 year		3 years	
South Africa	Equities	General	<div><div></div></div> 10.6	<div><div></div></div> 3.1	<div><div></div></div> 10.0		
		Resources	<div><div></div></div> 13.6	<div><div></div></div> 13.7	<div><div></div></div> 24.9		
		Industrial	<div><div></div></div> 12.3	<div><div></div></div> -2.1	<div><div></div></div> 10.7		
		Financial	<div><div></div></div> 11.0	<div><div></div></div> 6.8	<div><div></div></div> 4.2		
		Property	<div><div></div></div> 17.0	<div><div></div></div> -2.5	<div><div></div></div> -3.3		
		Large Cap	<div><div></div></div> 15.5	<div><div></div></div> 3.7	<div><div></div></div> 10.5		
		Mid/Small Cap	<div><div></div></div> 5.0	<div><div></div></div> 0.6	<div><div></div></div> 9.5		
	Interest-bearing	Variable Term	<div><div></div></div> 4.7	<div><div></div></div> 3.6	<div><div></div></div> 6.8		
		Short Term	<div><div></div></div> 2.0	<div><div></div></div> 5.9	<div><div></div></div> 5.6		
		Money Market	<div><div></div></div> 1.3	<div><div></div></div> 4.7	<div><div></div></div> 4.6		
	Multi Asset	Flexible	<div><div></div></div> 6.3	<div><div></div></div> 0.0	<div><div></div></div> 9.2		
		High Equity	<div><div></div></div> 6.9	<div><div></div></div> -0.2	<div><div></div></div> 8.1		
		Medium Equity	<div><div></div></div> 6.0	<div><div></div></div> 0.3	<div><div></div></div> 7.4		
		Low Equity	<div><div></div></div> 4.9	<div><div></div></div> 1.4	<div><div></div></div> 6.6		
		Income	<div><div></div></div> 2.9	<div><div></div></div> 5.5	<div><div></div></div> 6.0		
Global	Equities	General	<div><div></div></div> 3.5	<div><div></div></div> -14.2	<div><div></div></div> 8.3		
		Property	<div><div></div></div> 1.1	<div><div></div></div> -22.3	<div><div></div></div> 1.5		
	Interest-bearing	Variable Term	<div><div></div></div> -1.3	<div><div></div></div> -10.9	<div><div></div></div> 1.4		
		Short Term	<div><div></div></div> -1.5	<div><div></div></div> 2.5	<div><div></div></div> 5.0		
	Multi Asset	Flexible	<div><div></div></div> 2.5	<div><div></div></div> -10.3	<div><div></div></div> 6.2		
		High Equity	<div><div></div></div> 1.2	<div><div></div></div> -10.1	<div><div></div></div> 6.8		
		Medium Equity	<div><div></div></div> -0.2	<div><div></div></div> -9.9			
Low Equity		<div><div></div></div> -0.4	<div><div></div></div> -3.1	<div><div></div></div> 5.6			

AVERAGE BALANCED FUND in 2022 *

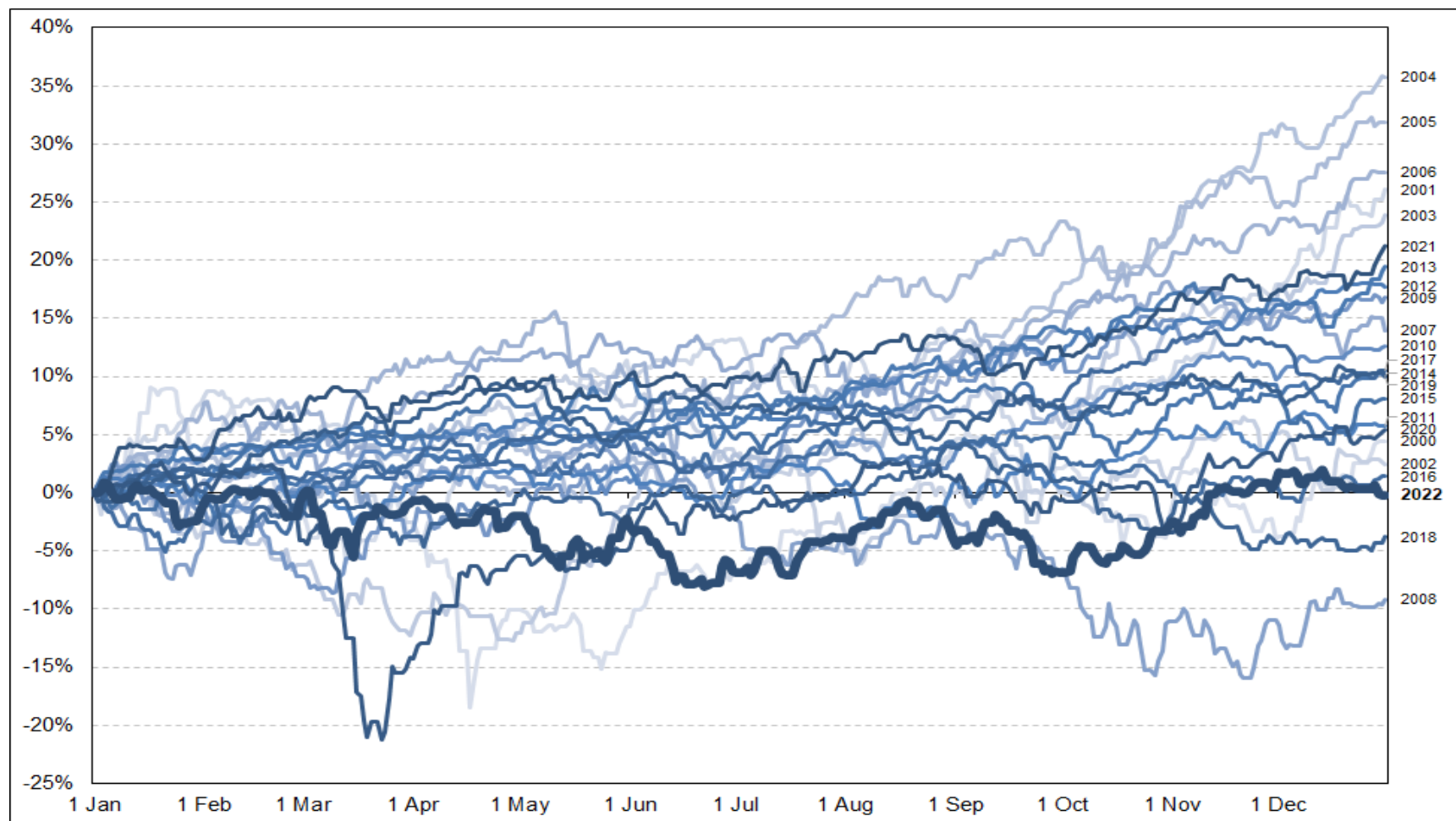
THE VERY VOLATILE ROAD TO NOWHERE



* ASISA South African Multi Asset High Equity category average
Source: Morningstar

AVERAGE BALANCED FUND *

NOT A GREAT YEAR, BUT AT LEAST BETTER THAN 2008 & 2018. WHAT WILL 2023 BRING?



* ASISA South African Multi Asset High Equity category average
Source: Morningstar

ASSET CLASS 'SMARTIE BOX'

GLOBAL ASSETS TAKE A TUMBLE IN 2022

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	3 years	5 years	10 years
Nominal ZAR total return p.a.	51.3%	26.6%	35.0%	15.5%	21.0%	16.0%	23.5%	30.4%	36.9%	7.2%	13.3%	14.1%	15.9%
	23.2%	15.2%	31.8%	10.2%	17.2%	15.0%	16.1%	22.0%	29.2%	6.8%	12.7%	12.2%	9.9%
	21.4%	10.9%	30.2%	7.4%	12.1%	14.6%	12.0%	15.6%	28.6%	6.5%	11.0%	8.0%	8.2%
	18.3%	10.6%	21.1%	6.8%	10.2%	7.7%	10.3%	8.7%	8.5%	5.2%	7.1%	7.8%	7.3%
	8.4%	10.1%	8.0%	2.6%	7.5%	7.2%	7.3%	7.0%	8.4%	4.3%	6.7%	6.6%	7.1%
	5.4%	10.1%	6.5%	-4.0%	4.7%	5.1%	4.0%	5.4%	5.9%	3.6%	5.4%	5.8%	6.1%
	5.2%	8.6%	5.2%	-4.5%	1.9%	4.5%	3.3%	5.0%	4.8%	0.5%	4.8%	4.9%	6.0%
	0.6%	5.9%	5.1%	-10.0%	-2.8%	-8.5%	1.9%	3.1%	3.8%	-12.7%	0.6%	3.9%	5.2%
	-11.2%	5.3%	-3.9%	-11.5%	-9.6%	-25.3%	-2.5%	-34.5%	0.9%	-12.8%	-3.4%	-7.2%	2.8%
	Local equities	Local property	Local bonds	Local cash	US Dollar	Global equities	Global bonds	Gold	Inflation				

LARGE MANAGER 'SMARTIE BOX'

ALLAN GRAY BACK WITH A BANG, DOMINATE MEDIUM TO LONG TERM ALONG WITH CORONATION, M&G and NINETY ONE

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	3 years	5 years	7 years	10 years
Gross return p.a.	28.9%	13.3%	15.4%	7.0%	14.6%	-0.9%	14.5%	11.9%	26.8%	9.8%	11.6%	8.4%	8.9%	10.8%
	25.3%	12.9%	12.8%	6.9%	14.2%	-0.9%	13.7%	10.8%	25.8%	4.4%	11.2%	8.2%	8.5%	10.7%
	24.8%	12.1%	10.5%	6.6%	14.1%	-1.0%	12.5%	10.5%	24.7%	3.0%	11.2%	8.0%	8.4%	10.6%
	24.0%	12.1%	9.0%	4.4%	13.8%	-1.0%	12.2%	8.1%	24.0%	1.5%	10.0%	8.0%	7.9%	10.6%
	23.7%	11.7%	8.9%	3.8%	12.4%	-1.2%	11.6%	5.4%	22.5%	0.8%	9.8%	7.6%	7.6%	9.4%
	23.1%	11.6%	8.8%	3.4%	12.1%	-1.7%	10.9%	5.2%	22.0%	0.8%	9.5%	7.3%	7.3%	9.4%
	23.1%	11.6%	8.8%	3.4%	11.5%	-2.0%	10.5%	5.2%	21.9%	0.5%	9.3%	7.2%	7.0%	9.0%
	22.3%	11.3%	8.4%	3.2%	11.3%	-2.4%	9.8%	3.8%	20.3%	0.2%	8.3%	6.7%	6.6%	8.7%
	21.6%	11.0%	8.2%	1.7%	8.6%	-3.1%	9.4%	3.4%	19.6%	-1.0%	8.1%	6.5%	6.6%	8.4%
	20.8%	10.3%	6.5%	0.5%	7.8%	-3.9%	8.2%	2.1%	17.4%	-1.8%	7.5%	6.3%	6.2%	8.3%
	16.7%	9.7%	5.7%	0.4%	6.6%	-4.9%	6.6%	1.2%	16.1%	-4.2%	6.9%	5.9%	6.1%	8.2%
	Absa	Allan Gray	Coronation	Foord	M&G	Ninety One	Oasis	Old Mutual	Sanlam	Stanlib	AF LMW median			