

MONTH IN PICTURES

**DECEMBER
2023**

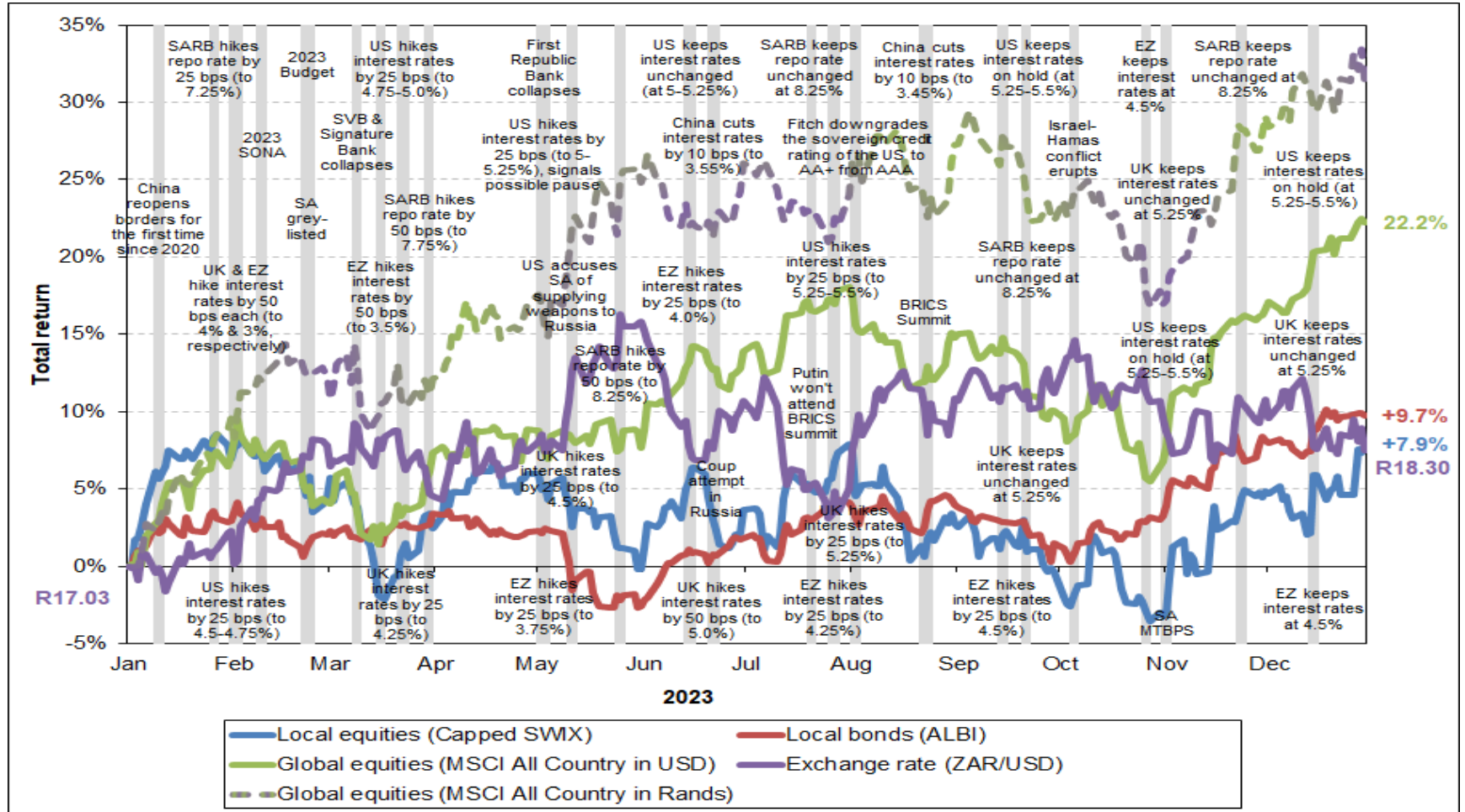
MONTHLY SNAPSHOT

NOTABLE EVENTS

- Markets continued to recover in December, with most asset classes making gains. Locally we saw equities returning +2% (ALSI) to +2.9% (Capped SWIX), supported by Financials (+5.3%) and Listed Property stocks (+9.9%), while Industrials added 0.7%, and Resources were flat. Local bonds returned +1.5%, while global equities and bonds provided rand returns of +1.7% and +1.1% respectively, in an environment where the rand strengthened by 3% against the US dollar.
- The year thus ended well for the markets, with most asset classes rallying strongly on the back of waning inflation concerns and the possibility of interest rate cuts in 2024. With positive returns of around 7-8% from local equities, local bonds *and* global equities during the last quarter, the average balanced fund * returned a very satisfying +6.2% in 2023 Q4.
- With such a strong finish under its belt the average balanced fund * ended up having a relatively good year, returning +12.3% in 2023. Although Q4's recovery managed to push the local markets' returns into respectable territory for the year (equities = +9%, bonds = +10% and cash = +8%), it was the strong returns from global markets (equities = +32% and bonds = +13%) that did most of the heavy lifting for retirement funds in 2023.
- Following a flat 2022 (when *local* markets were the main contributor to returns), a strong 2021 (+20%), a slow 2020 (+5%) and a decent 2019 (+10%), the average balanced fund * has delivered positive returns of around 9-11% p.a. over the medium term (3-5 years). This is about 4-5% p.a. ahead of inflation, which is in line with most retirement funds' real return targets. Considering the many global and local challenges markets have faced over this period (including lockdowns, rising inflation and interest rates, geopolitical tensions, infrastructure breakdowns, political missteps, etc.), this is not a bad outcome.
- With the end of a strong 5-year bull market (from 2009 to 2013) providing an elevated base at the start, a stagnating economy in the middle, and quite poor sentiment incorporated in local markets at the end (reflected in current crisis-like valuation levels), most balanced funds have endured a difficult 10 years. This is unsurprisingly reflected in a rather unimpressive average return * of +7% p.a. over this period. That being said, in this 'worst-case-like' scenario, the average balanced fund * still managed to outperform cash by 1% p.a., and inflation by 2% p.a.
- Over longer periods (15-20+ years) the average balanced fund * has delivered positive returns of 9-11% p.a., which is 4-5% p.a. above inflation. This should be sufficient to provide for a comfortable retirement *if* coupled with enough time (30-40 years), *and* an adequate net contribution rate (+/-15%). Over this period average calendar year returns * have ranged from a low of -8% to a high of +27%, with many more low-return years in between. Since the best returns often follow the worst years, it remains imperative that members think carefully before reacting to short term market movements.
- With more than half the world's population (including SA and the US) heading to the polls in what is said to be the biggest year for elections in history, 2024 will no doubt also have its fair share of ups and downs. Here's hoping for market-friendly outcomes and good returns!

ANNUAL TIMELINE

IMPACT ON THE MARKETS



MARKET INDICATORS

SHORT TERM

Market indicators (% change) ¹		Oct 2023	Nov 2023	Dec 2023	3 months	YTD	12 months
Local equities	ALSI	(3.4)	8.6	2.0	6.9	9.3	9.3
	Capped SWIX	(2.9)	8.3	2.9	8.2	7.9	7.9
	Resources	(3.2)	6.4	(0.0)	3.0	(11.8)	(11.8)
	Industrials	(4.5)	10.1	0.7	5.9	16.6	16.6
	Financials	(2.0)	8.3	5.3	11.8	21.5	21.5
	Listed Property	(3.0)	9.1	9.9	16.4	10.1	10.1
Local bonds	ALBI	1.7	4.7	1.5	8.1	9.7	9.7
Local cash	STeFI Composite	0.7	0.7	0.7	2.1	8.1	8.1
Global equities	MSCI All Country	(4.4)	10.4	1.7	7.4	31.3	31.3
Global bonds	FTSE WGBI	(2.5)	6.0	1.1	4.5	13.0	13.0
Exchange rate	ZAR/USD	(1.4)	1.1	(3.0)	(3.3)	7.5	7.5
Inflation	CPI	0.9	-0.1	0.0	0.8	5.1	5.1

1. Total returns (in Rands) for the months and periods ending 31 December 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	9.3	13.5	11.9	8.8	12.4	14.0
	Capped SWIX	7.9	12.7	9.0	7.1	-	-
	Resources	(11.8)	8.2	14.6	6.8	7.3	9.6
	Industrials	16.6	12.4	11.6	8.2	14.5	16.5
	Financials	21.5	19.6	6.7	7.8	12.2	13.2
	Listed Property	10.1	14.9	0.2	2.9	8.0	12.4
Local bonds	ALBI	9.7	7.4	8.2	8.0	7.9	8.5
Local cash	STeFI Composite	8.1	5.7	5.9	6.4	6.4	7.0
Global equities	MSCI All Country	31.3	13.8	17.3	14.3	15.1	13.2
Global bonds	FTSE WGBI	13.0	(0.1)	3.5	5.5	5.0	7.2
Exchange rate	ZAR/USD	7.5	7.6	5.0	5.9	4.4	5.2
Inflation	CPI	5.1	6.1	5.1	5.2	5.2	5.5

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

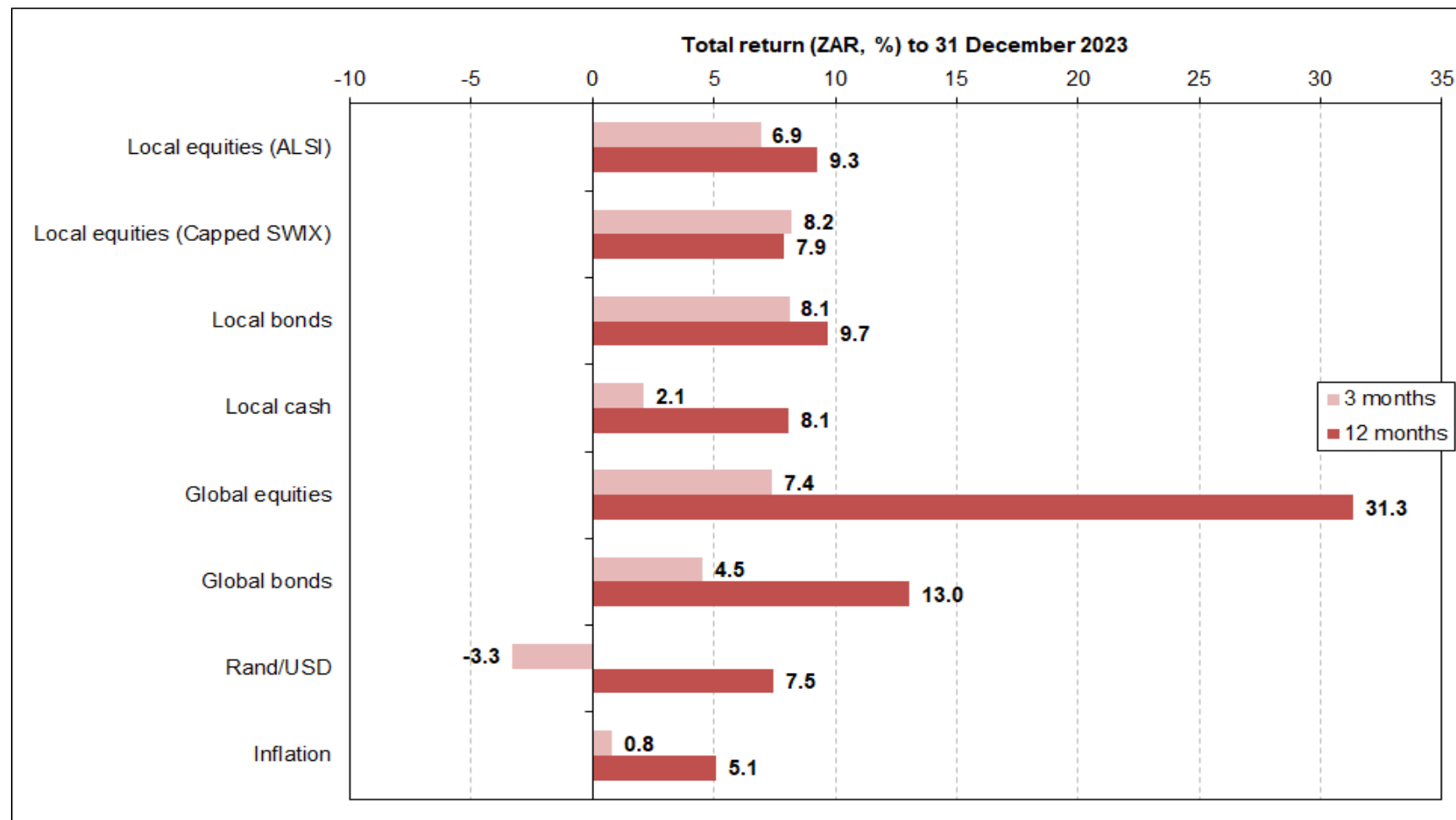
ECONOMIC INDICATORS

Economic indicators ¹	Dec 2021	Dec 2022	Oct 2023	Nov 2023	Dec 2023
Exchange rates:					
ZAR/USD	15.94	17.03	18.65	18.86	18.30
ZAR/GBP	21.56	20.59	22.66	23.80	23.30
ZAR/Euro	18.13	18.22	19.73	20.53	20.20
Commodities:					
Brent Crude Oil (USD/barrel)	77.78	85.91	85.02	80.86	77.04
Platinum (USD/ounce)	969.00	1,073.00	933.71	929.59	986.75
Gold (USD/ounce)	1,829.32	1,823.95	1,996.13	2,041.32	2,062.89

1. Month-end prices

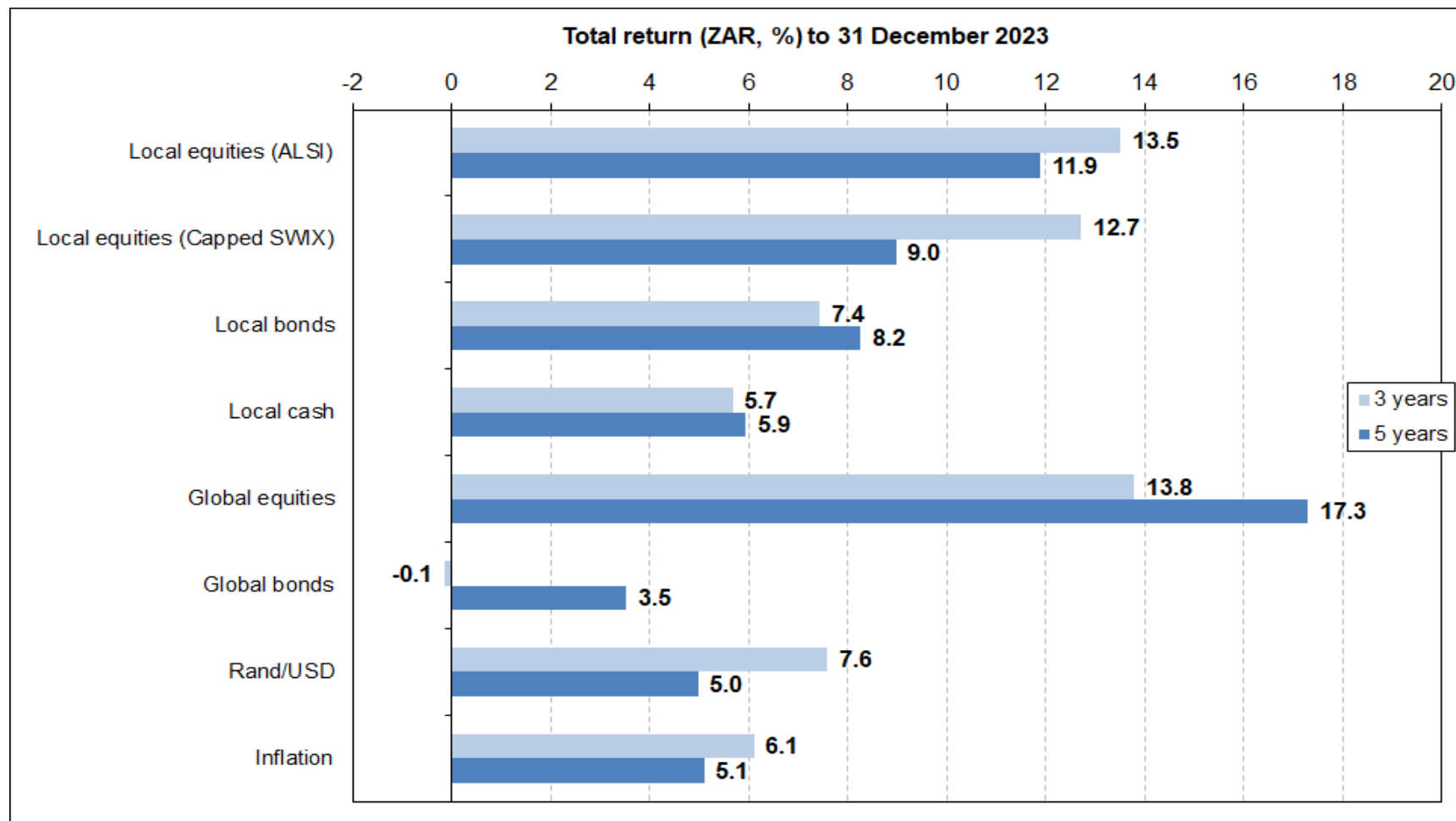
ASSET CLASS PERFORMANCE

SHORT TERM



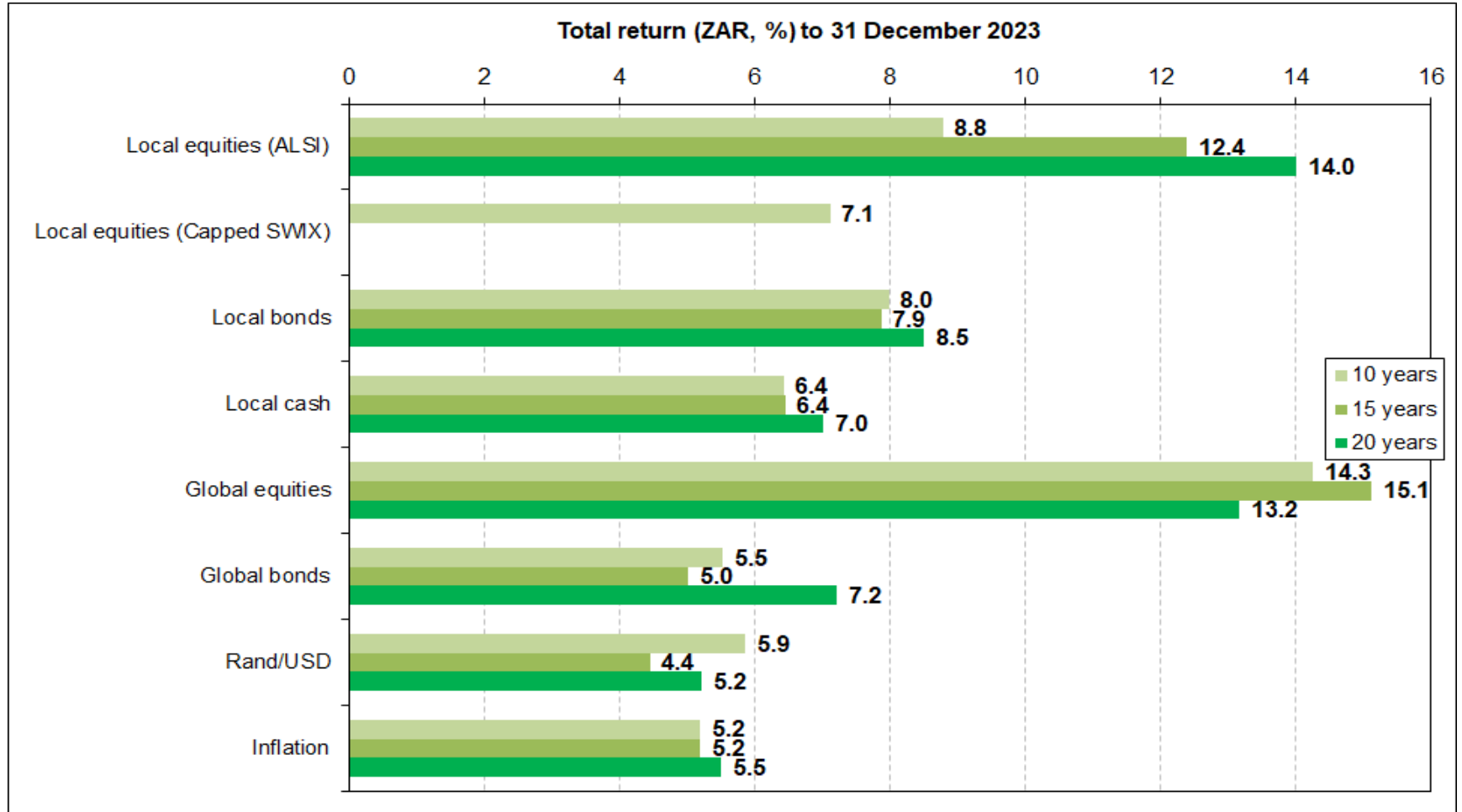
ASSET CLASS PERFORMANCE

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:

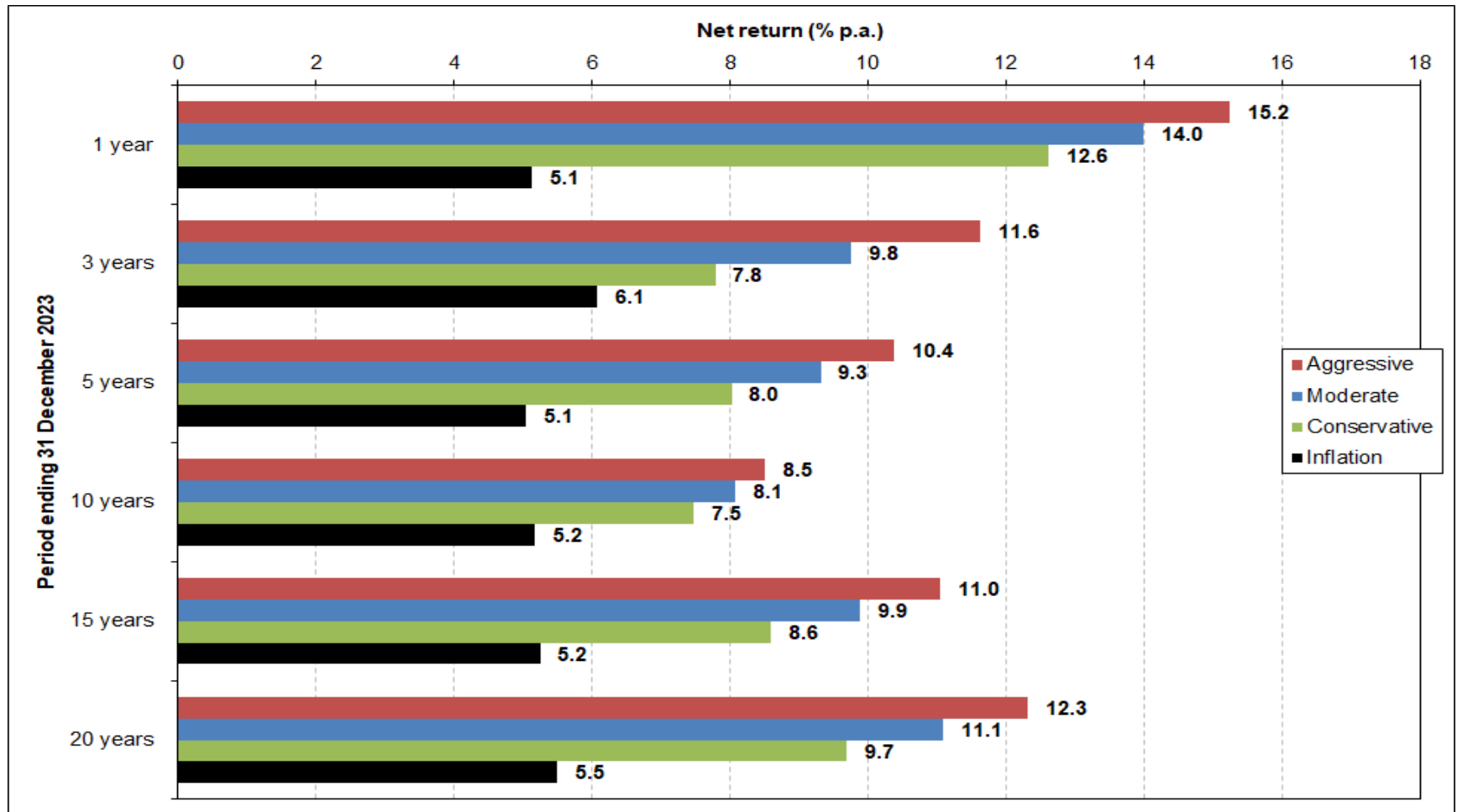
AGGRESSIVE	Strategic allocation	LOCAL VS OFFSHORE	60%		40% (5% below regulatory maximum)	
		GROWTH VS INCOME ASSETS	75%	25%	75%	25%
		EQUITIES VS BONDS VS CASH	100%	75% 25%	100%	100%
	Current allocation		~45%	~11% ~4%	~30%	~10%

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%

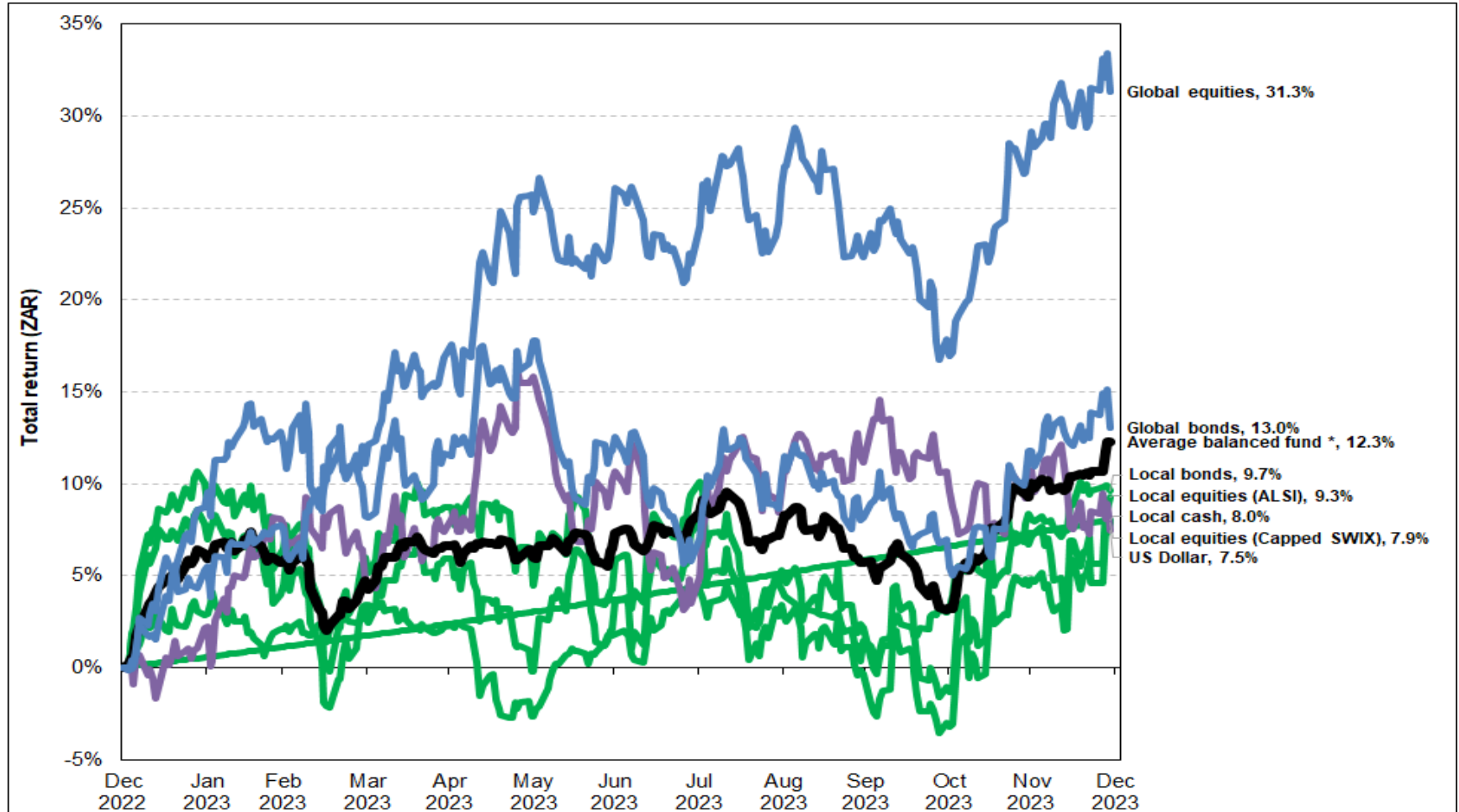
MARKET PERFORMANCE

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



MARKETS in 2023 (ZAR)

A STRONG FINISH TO THE YEAR

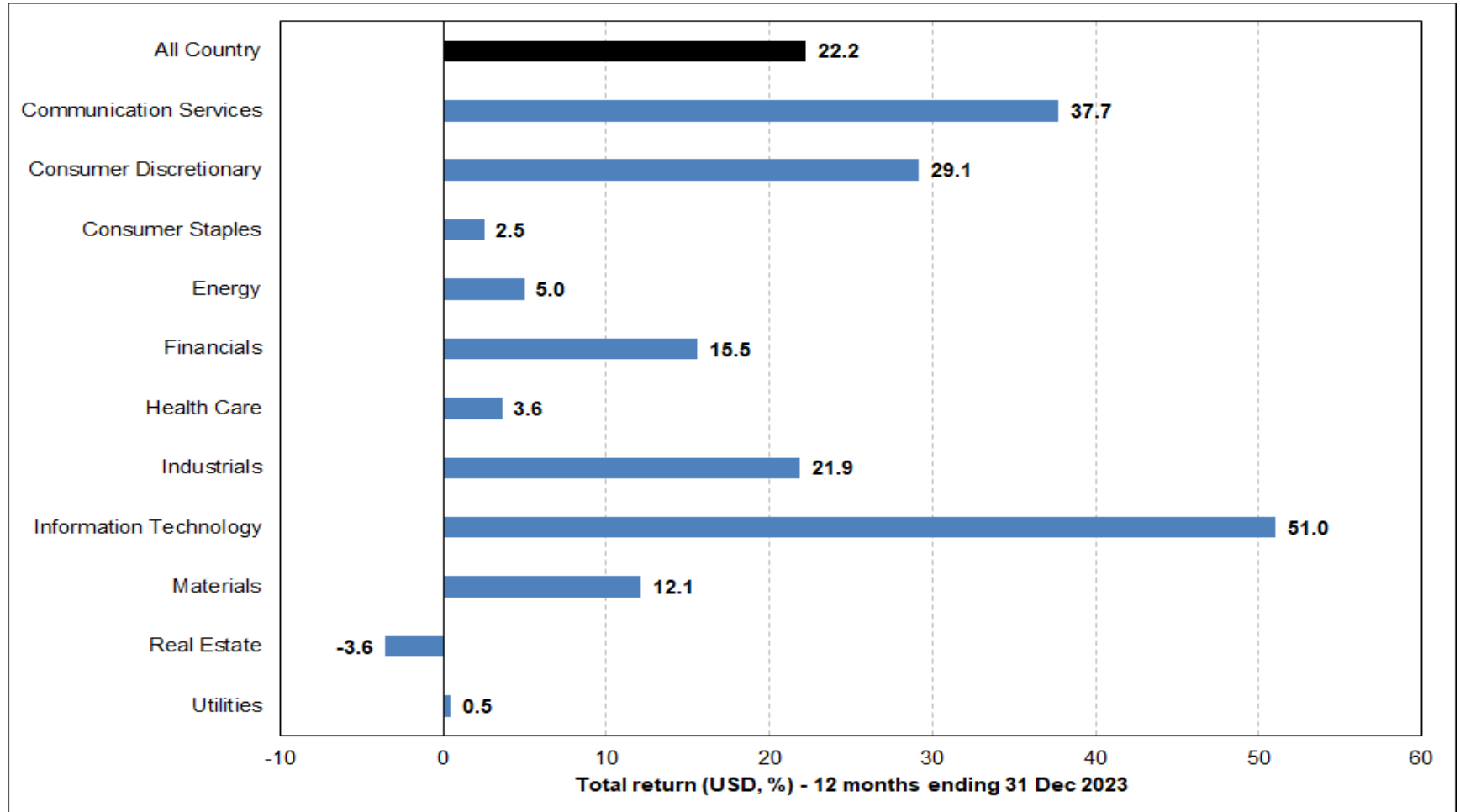


Source: Iress, Morningstar

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

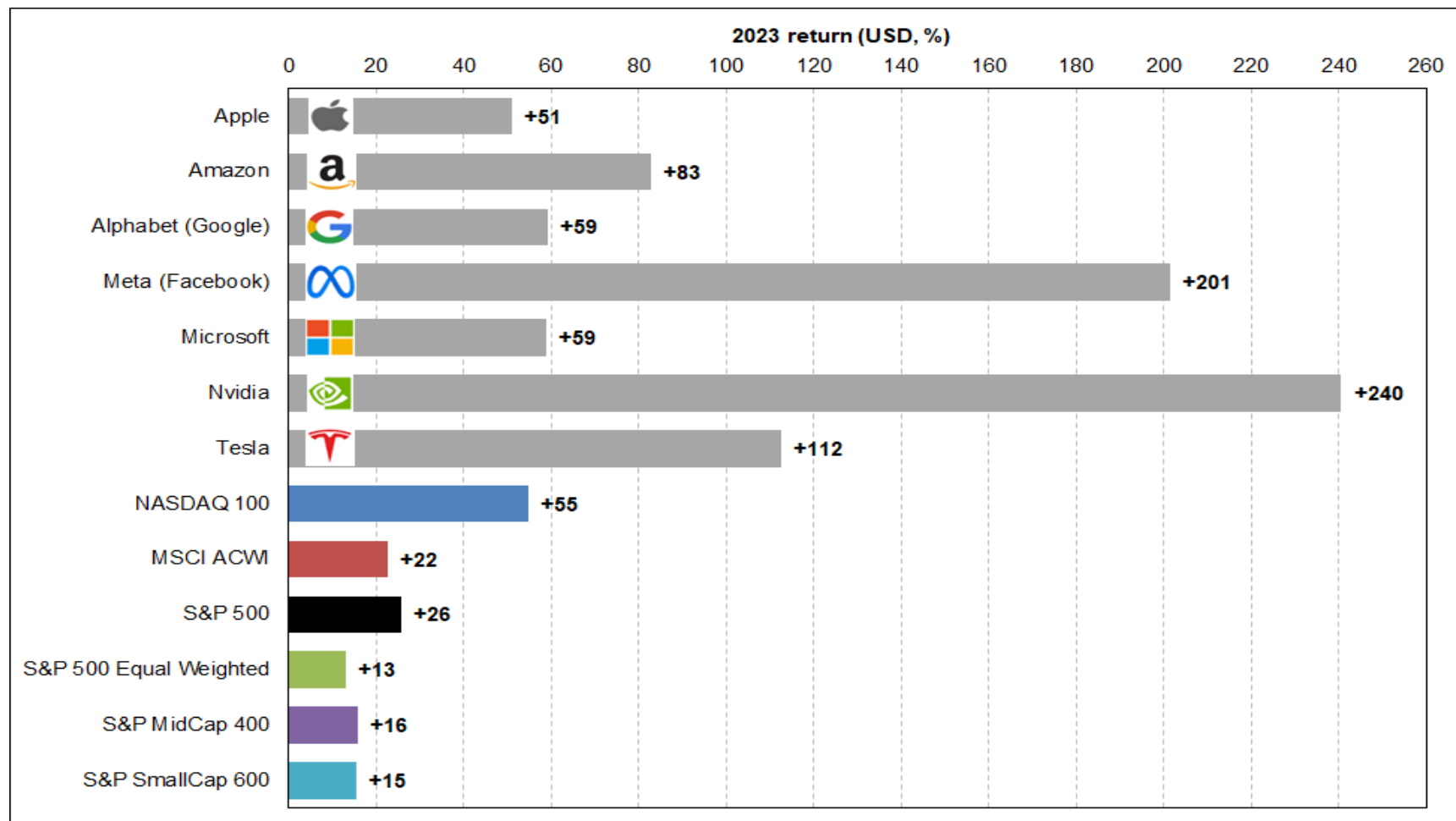
GLOBAL EQUITIES in 2023 (USD)

TECH-HEAVY SECTORS LEAD THE WAY...



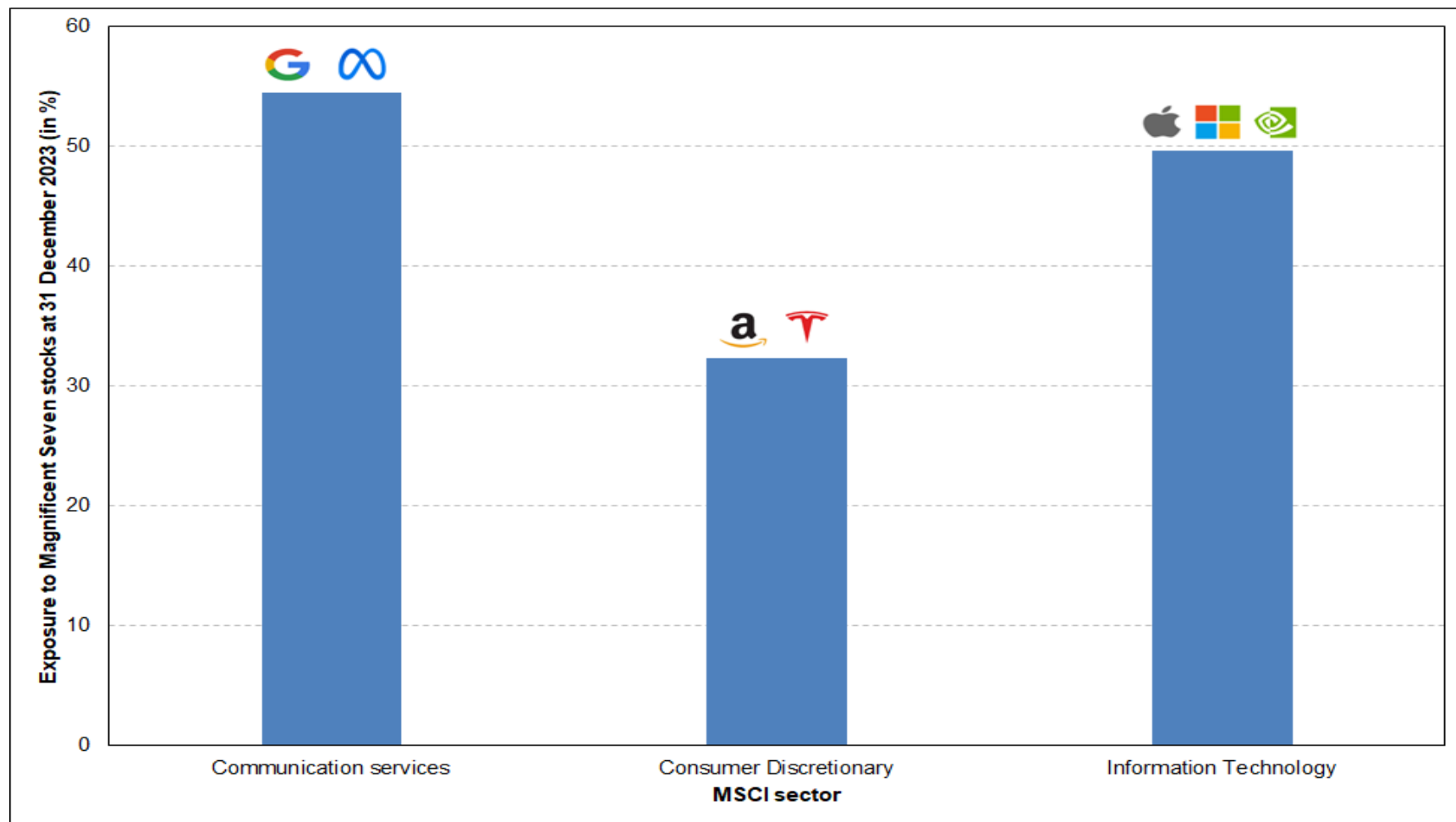
GLOBAL EQUITIES in 2023 (USD)

...AS THE MAGNIFICENT SEVEN MAKES AN AVERAGE GAIN OF 115%...



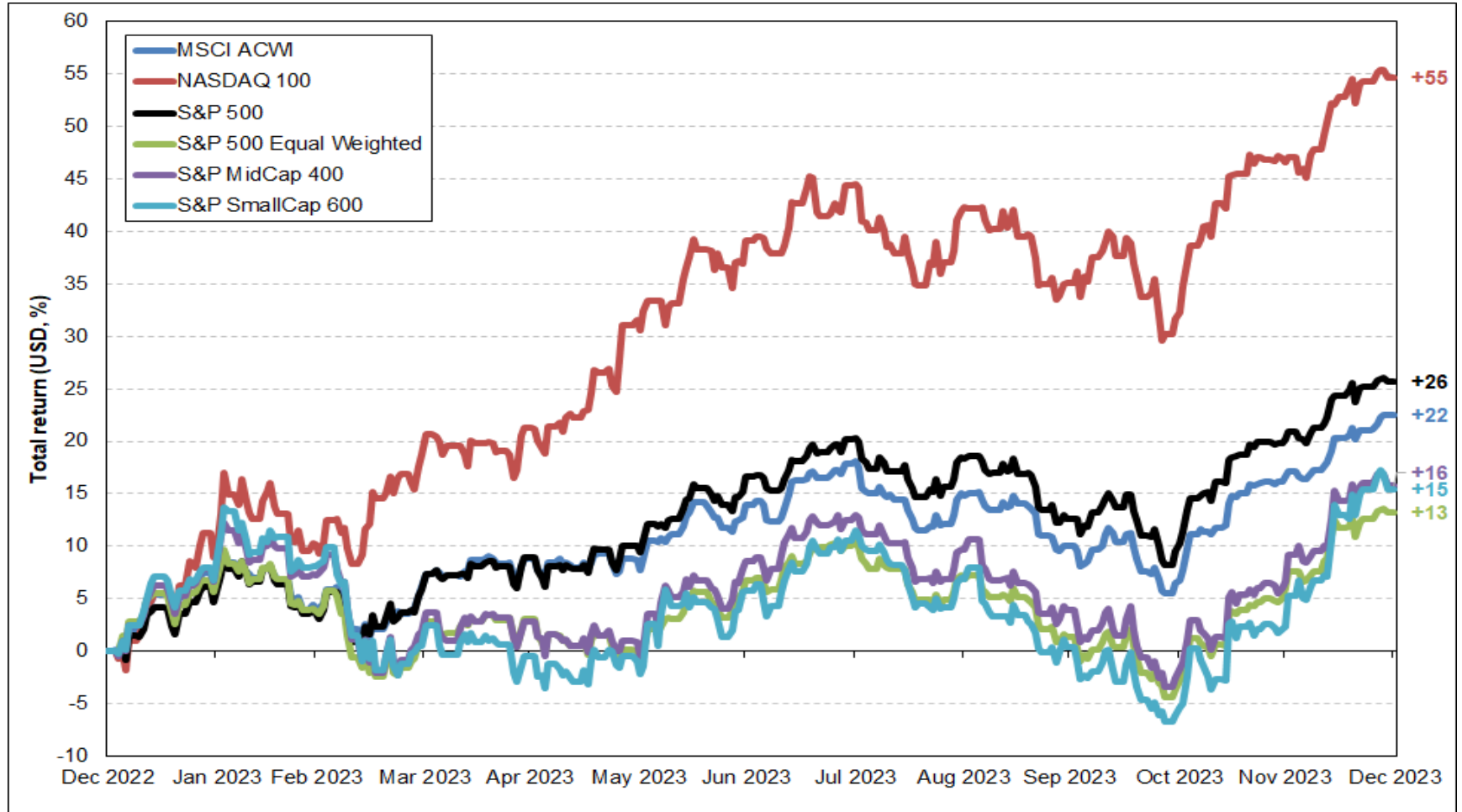
GLOBAL EQUITIES in 2023 (USD)

...AND NOW DOMINATE THEIR RESPECTIVE SECTORS



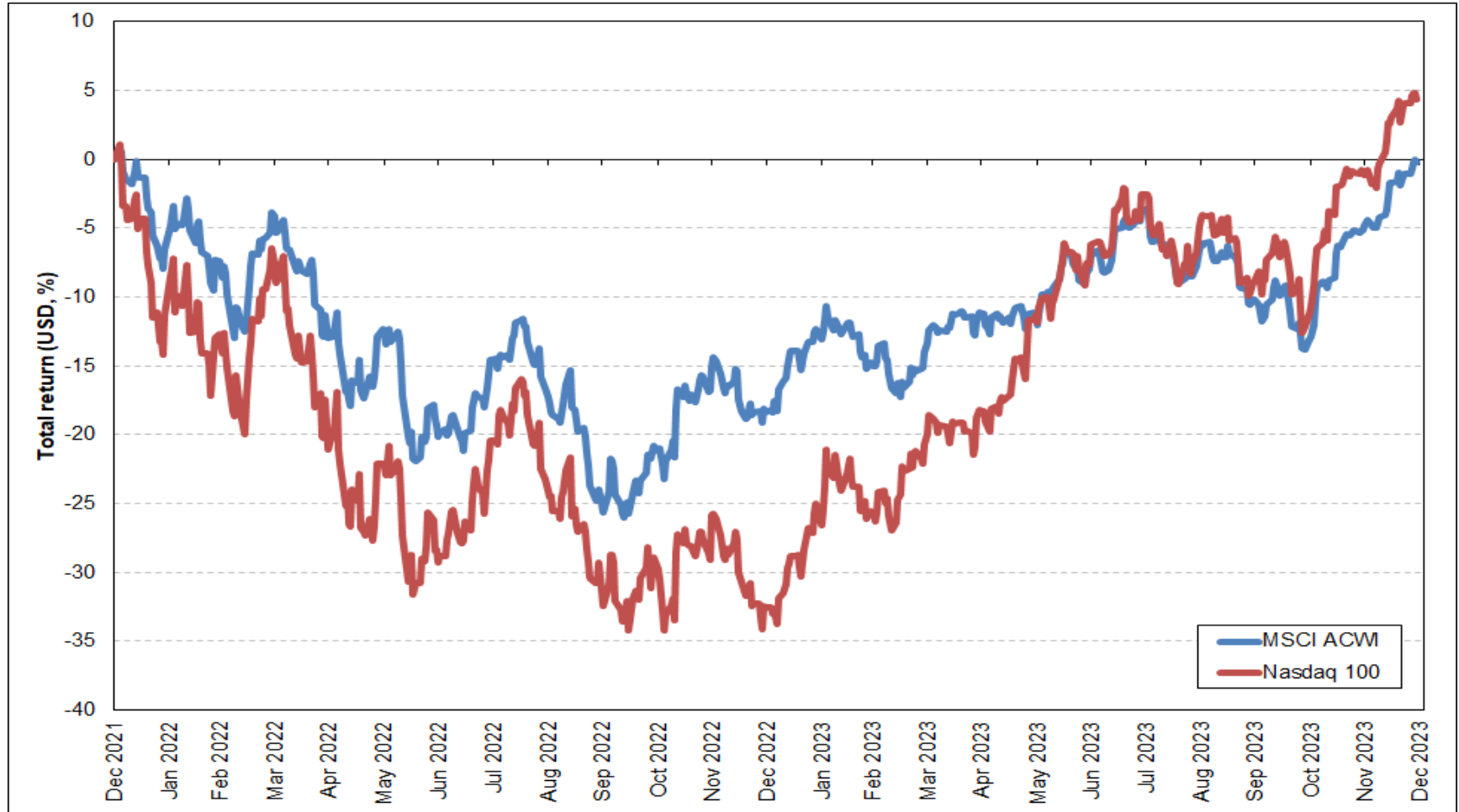
GLOBAL EQUITIES in 2023 (USD)

MOST STOCKS ONLY TURNED POSITIVE IN Q4...



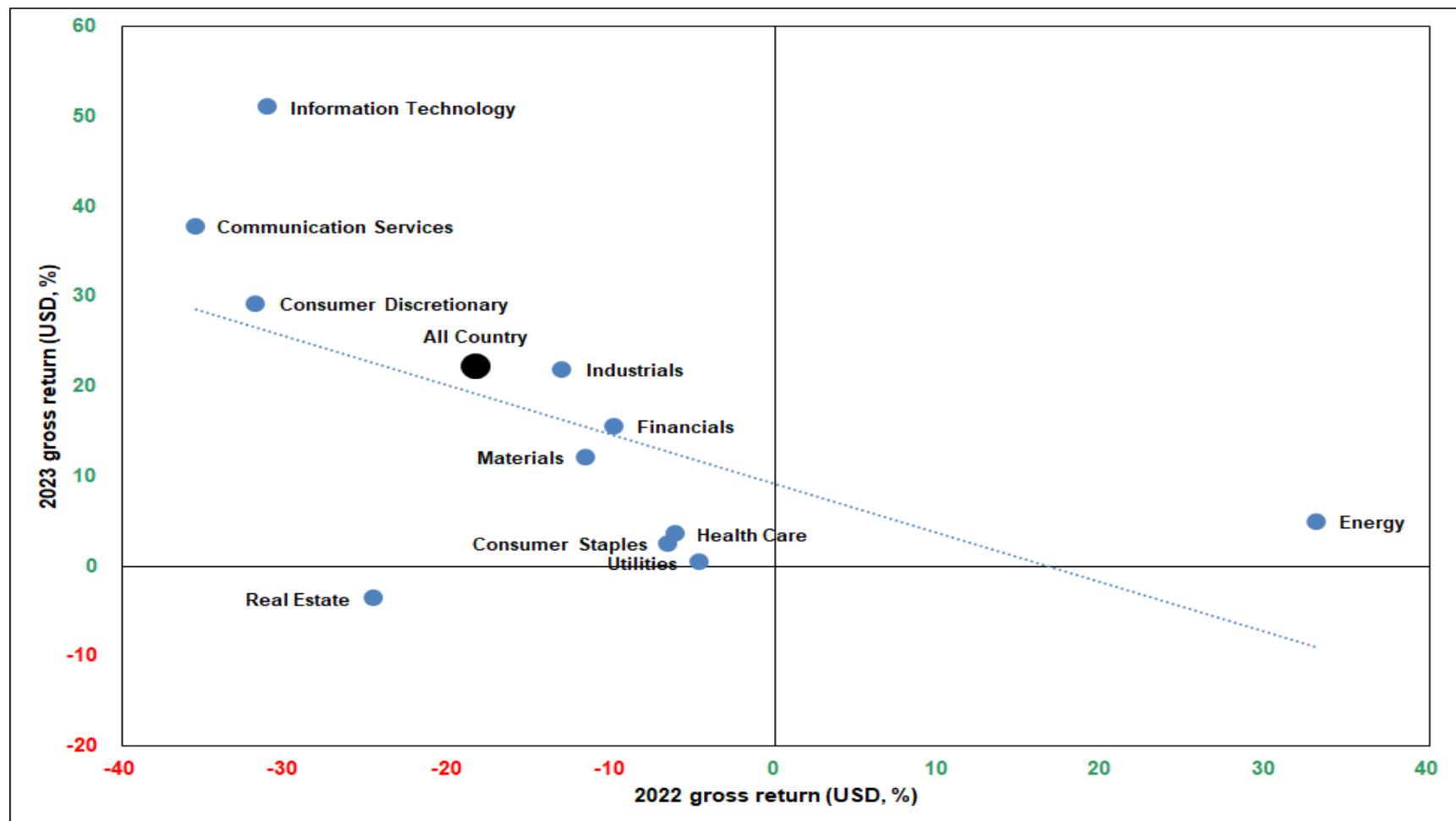
GLOBAL EQUITIES in 2023 (USD)

...BUT 2022'S LOSSES HAVE NOW BEEN RECOVERED



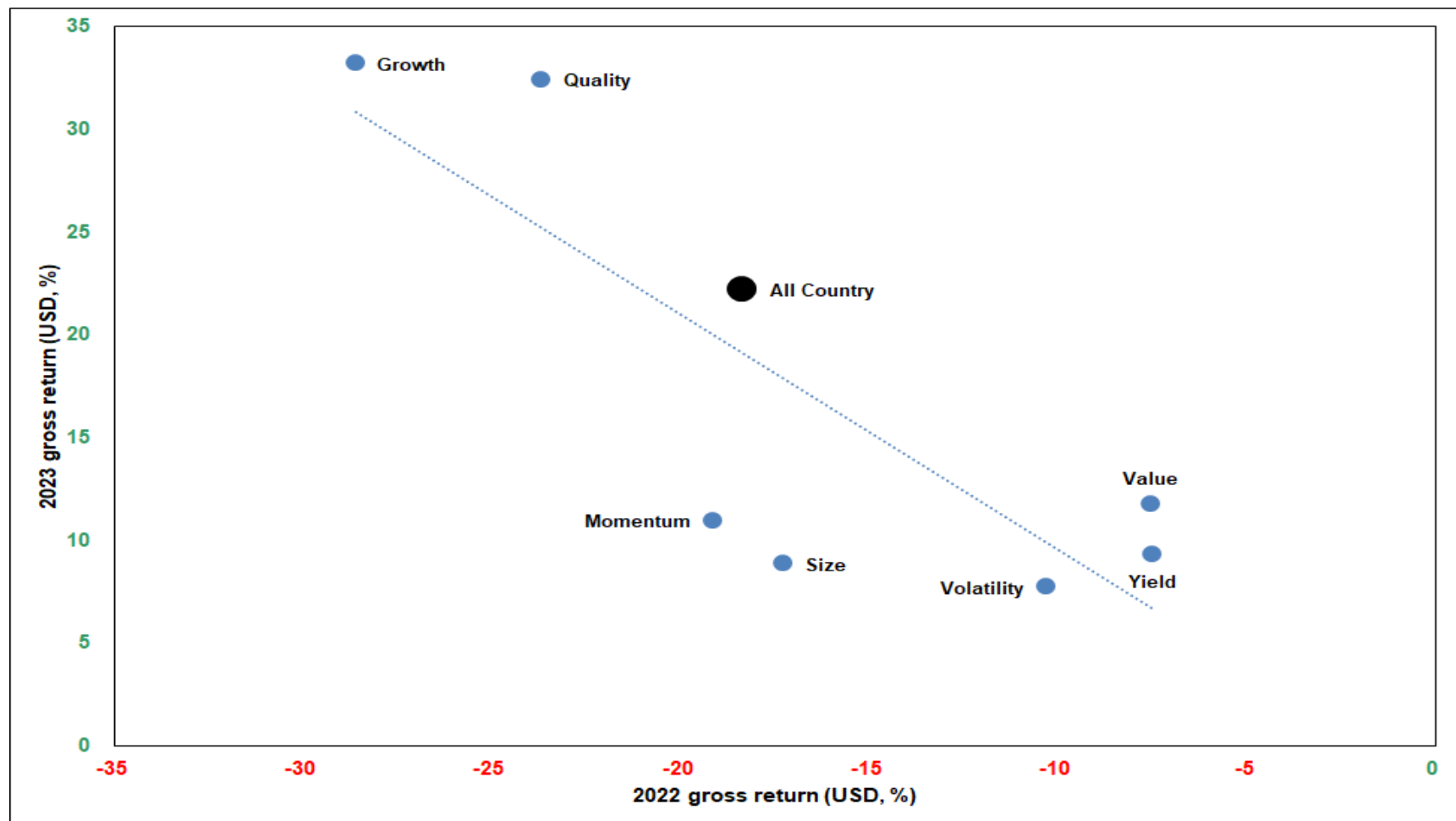
GLOBAL EQUITY SECTORS in 2023 (USD)

THIS YEAR'S WINNERS = LAST YEAR'S LOSERS



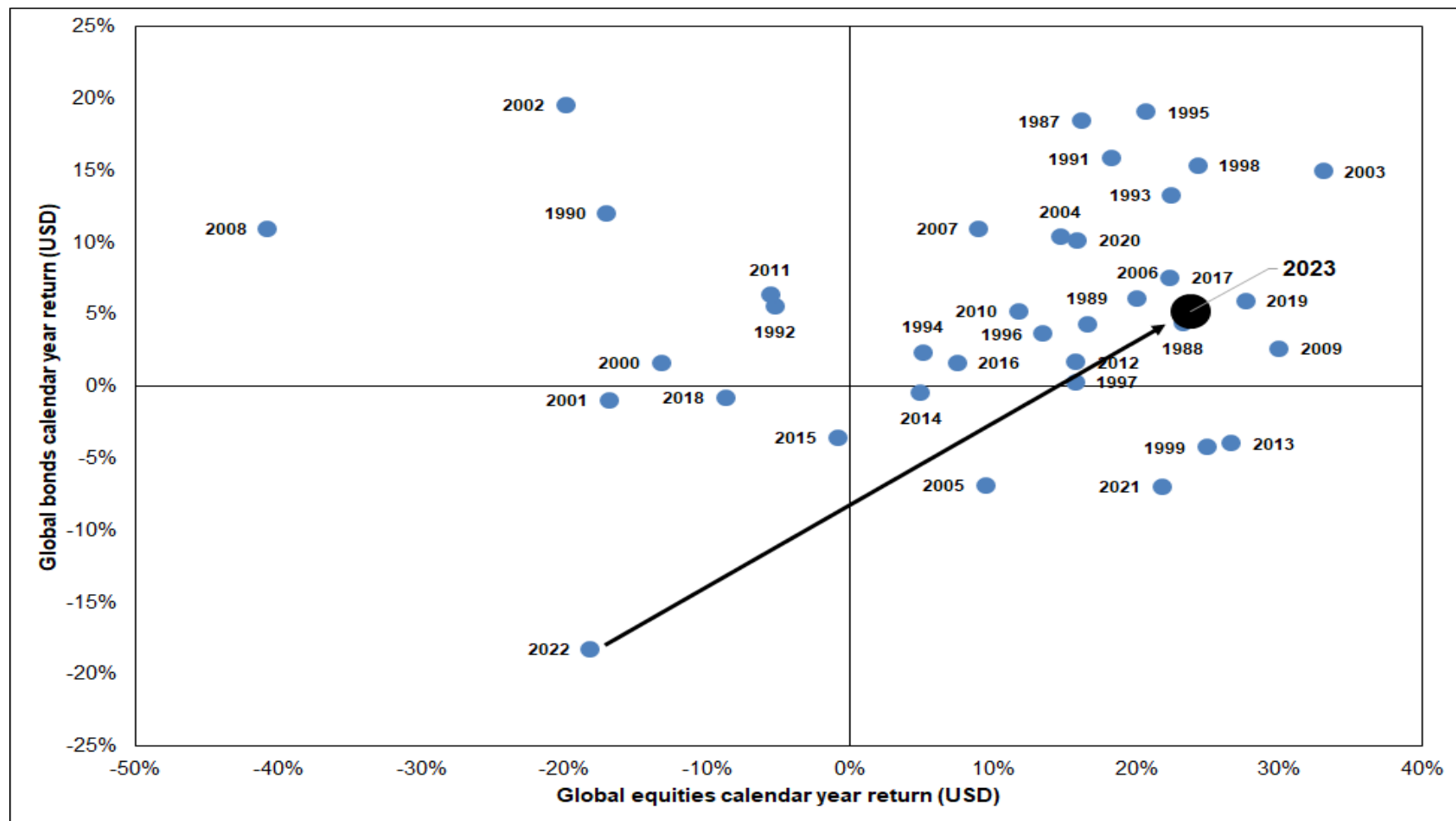
GLOBAL EQUITY STYLES in 2023 (USD)

THIS YEAR'S WINNERS = LAST YEAR'S LOSERS



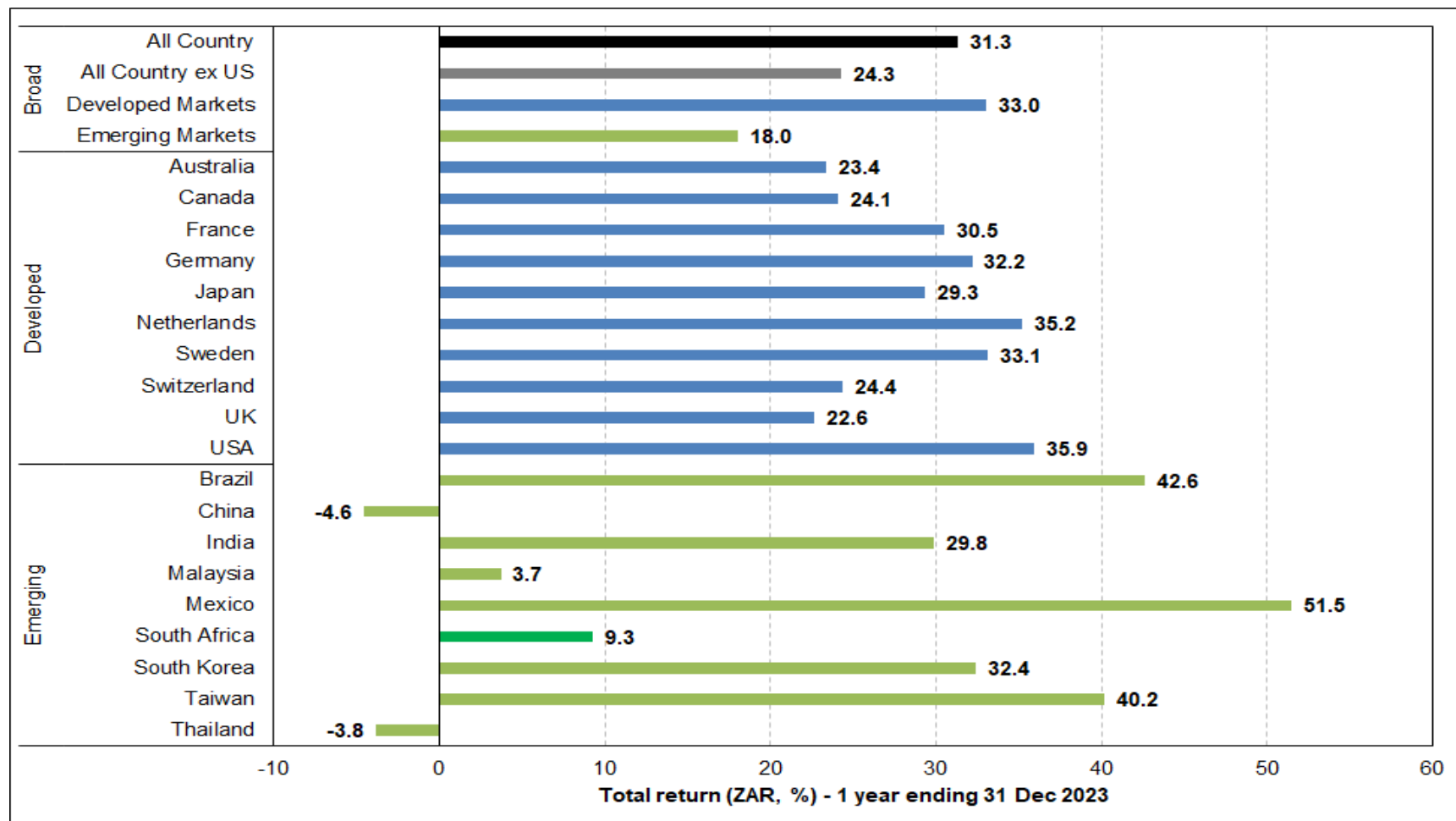
GLOBAL MARKETS in 2023 (USD)

BIG IMPROVEMENT FROM LAST YEAR



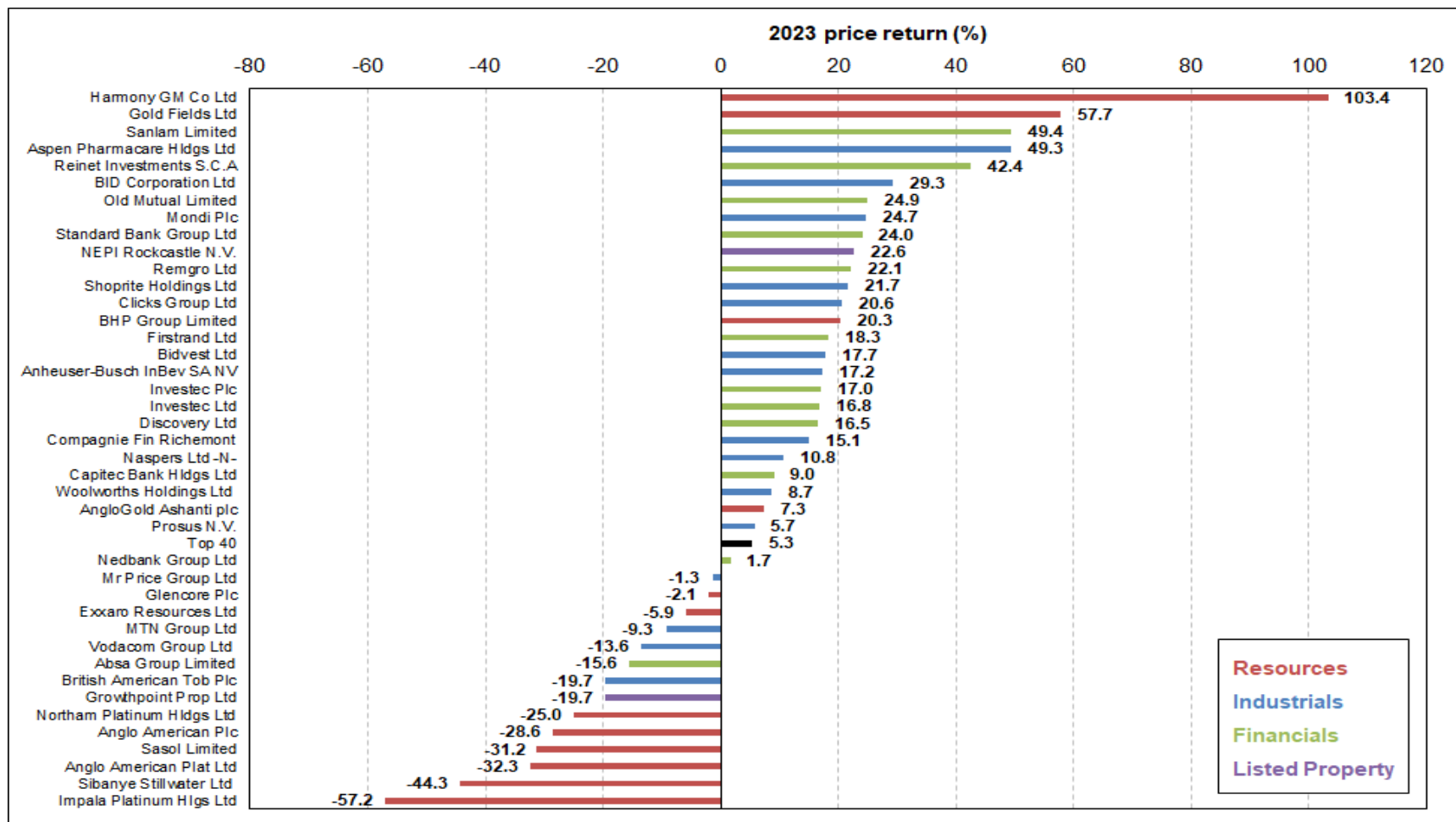
GLOBAL EQUITIES in 2023 (ZAR)

SA & CHINA UNDERPERFORM



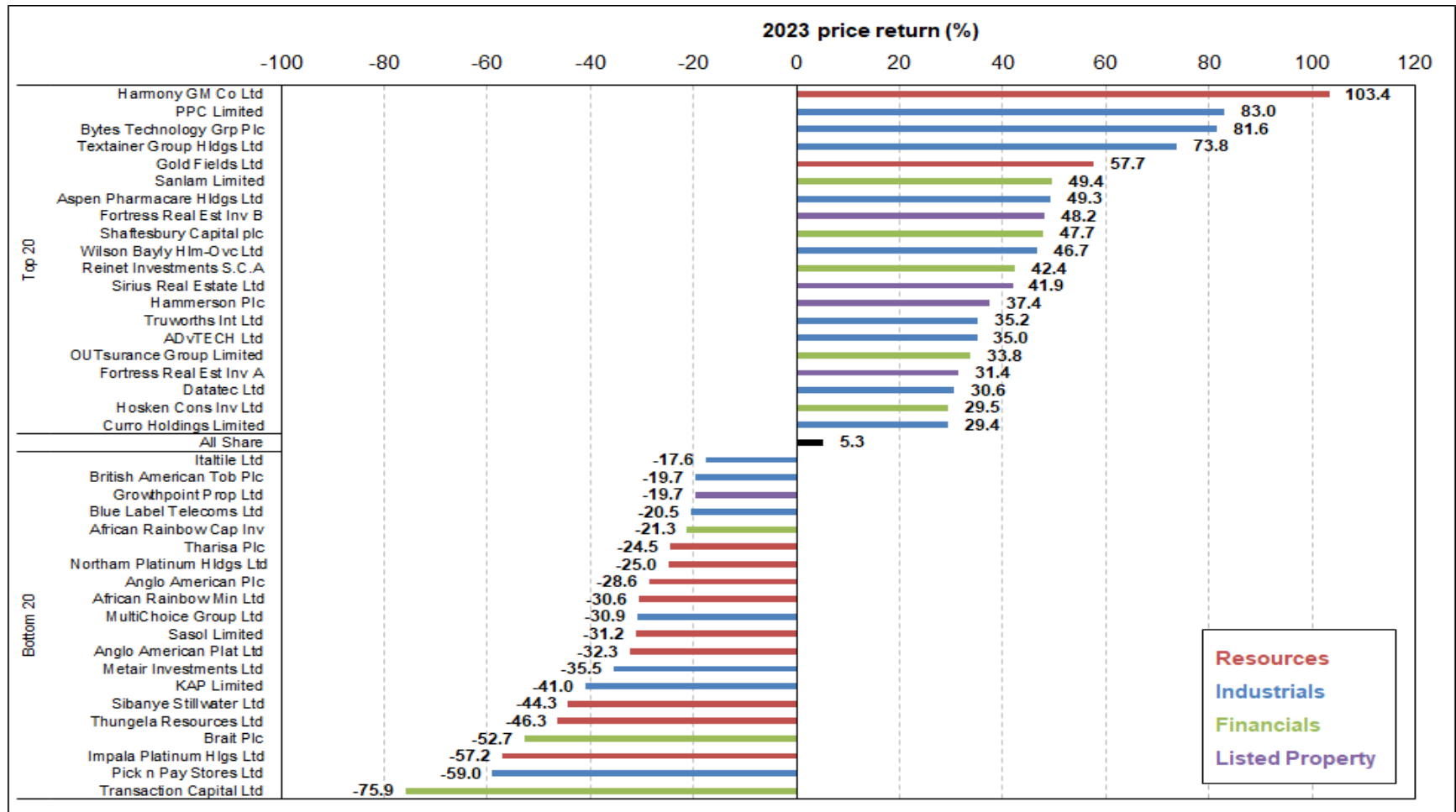
LOCAL EQUITIES in 2023 (TOP 40)

CONTRASTING FORTUNES FOR SA'S PRECIOUS METAL MINERS



LOCAL EQUITIES in 2023 (ALSI)

PnP & TRANSACTION CAPITAL JOIN PGM MINERS AT THE BOTTOM OF THE TABLE



ASSET CLASSES in 2023

GLOBAL MARKETS DOMINATE, BUT SOLID RETURNS ON OFFER ACROSS MOST ASSET CLASSES

Total asset class returns (in %) at 31 December 2023							
Asset classes		3 months		1 year		3 years	
Local	Equities	ALSI	<div><div></div></div> 6.9	<div><div></div></div> 9.3	<div><div></div></div> 13.5		
		CAPI	<div><div></div></div> 7.0	<div><div></div></div> 8.4	<div><div></div></div> 14.3		
		SWIX	<div><div></div></div> 8.0	<div><div></div></div> 7.8	<div><div></div></div> 10.6		
		Capped SWIX	<div><div></div></div> 8.2	<div><div></div></div> 7.9	<div><div></div></div> 12.7		
		Resources	<div><div></div></div> 3.0	<div><div></div></div> -11.8	<div><div></div></div> 8.2		
		Industrials	<div><div></div></div> 5.9	<div><div></div></div> 16.6	<div><div></div></div> 12.4		
		Financials	<div><div></div></div> 11.8	<div><div></div></div> 21.5	<div><div></div></div> 19.6		
		Property	<div><div></div></div> 16.4	<div><div></div></div> 10.1	<div><div></div></div> 14.9		
		Top40	<div><div></div></div> 6.6	<div><div></div></div> 9.0	<div><div></div></div> 13.4		
		Mid Cap	<div><div></div></div> 10.0	<div><div></div></div> 9.7	<div><div></div></div> 12.8		
		Small Cap	<div><div></div></div> 8.6	<div><div></div></div> 11.2	<div><div></div></div> 23.9		
		Value	<div><div></div></div> 2.2	<div><div></div></div> 2.8	<div><div></div></div> 16.6		
		Growth	<div><div></div></div> 11.8	<div><div></div></div> 14.5	<div><div></div></div> 11.0		
		Interest-bearing	ALBI	<div><div></div></div> 8.1	<div><div></div></div> 9.7	<div><div></div></div> 7.4	
	ALBI (1-3 yrs)		<div><div></div></div> 4.1	<div><div></div></div> 9.2	<div><div></div></div> 6.3		
	ALBI (3-7 yrs)		<div><div></div></div> 5.7	<div><div></div></div> 10.3	<div><div></div></div> 6.0		
	ALBI (7-12 yrs)		<div><div></div></div> 9.4	<div><div></div></div> 11.9	<div><div></div></div> 7.8		
	ALBI (12+ yrs)		<div><div></div></div> 9.2	<div><div></div></div> 7.5	<div><div></div></div> 7.8		
	Government bonds		<div><div></div></div> 8.1	<div><div></div></div> 9.7	<div><div></div></div> 7.3		
	Non-government bonds		<div><div></div></div> 7.9	<div><div></div></div> 10.1	<div><div></div></div> 8.3		
	Inflation-linked bonds		<div><div></div></div> 6.1	<div><div></div></div> 7.1	<div><div></div></div> 8.8		
	Cash		<div><div></div></div> 2.1	<div><div></div></div> 8.1	<div><div></div></div> 5.7		
ZAR/USD			<div><div></div></div> -3.3	<div><div></div></div> 7.5	<div><div></div></div> 7.6		
Global (ZAR)	Equities (All Country)	<div><div></div></div> 7.4	<div><div></div></div> 31.3	<div><div></div></div> 13.8			
	Equities (Developed)	<div><div></div></div> 7.7	<div><div></div></div> 33.0	<div><div></div></div> 15.4			
	Equities (Emerging)	<div><div></div></div> 4.3	<div><div></div></div> 18.0	<div><div></div></div> 2.1			
	Bonds	<div><div></div></div> 8.1	<div><div></div></div> 5.2	<div><div></div></div> -7.2			

UNIT TRUSTS in 2023

BALANCED AND GLOBAL FUNDS DO WELL

Average unit trust returns (in %) at 31 December 2023							
ASISA category		3 months		1 year		3 years	
South Africa	Equities	General	<div><div></div></div> 6.2	<div><div></div></div> 7.3	<div><div></div></div> 11.9		
		Resources	<div><div></div></div> 5.1	<div><div></div></div> -3.3	<div><div></div></div> 14.4		
		Industrial	<div><div></div></div> 4.9	<div><div></div></div> 10.0	<div><div></div></div> 8.8		
		Financial	<div><div></div></div> 11.0	<div><div></div></div> 19.5	<div><div></div></div> 18.0		
		Property	<div><div></div></div> 14.3	<div><div></div></div> 8.5	<div><div></div></div> 13.4		
		Large Cap	<div><div></div></div> 6.9	<div><div></div></div> 7.8	<div><div></div></div> 11.2		
		Mid/Small Cap	<div><div></div></div> 7.6	<div><div></div></div> 8.8	<div><div></div></div> 15.0		
	Interest-bearing	Variable Term	<div><div></div></div> 7.7	<div><div></div></div> 8.4	<div><div></div></div> 7.1		
		Short Term	<div><div></div></div> 2.6	<div><div></div></div> 9.0	<div><div></div></div> 6.5		
		Money Market	<div><div></div></div> 1.9	<div><div></div></div> 7.4	<div><div></div></div> 5.3		
	Multi Asset	Flexible	<div><div></div></div> 5.9	<div><div></div></div> 11.7	<div><div></div></div> 10.9		
		High Equity	<div><div></div></div> 6.2	<div><div></div></div> 12.3	<div><div></div></div> 10.5		
		Medium Equity	<div><div></div></div> 5.8	<div><div></div></div> 11.3	<div><div></div></div> 9.4		
		Low Equity	<div><div></div></div> 5.4	<div><div></div></div> 11.0	<div><div></div></div> 8.5		
		Income	<div><div></div></div> 3.9	<div><div></div></div> 9.4	<div><div></div></div> 7.2		
Global	Equities	General	<div><div></div></div> 7.3	<div><div></div></div> 27.6	<div><div></div></div> 10.4		
		Property	<div><div></div></div> 14.0	<div><div></div></div> 18.9	<div><div></div></div> 8.6		
	Interest-bearing	Variable Term	<div><div></div></div> 5.0	<div><div></div></div> 12.8	<div><div></div></div> 0.8		
		Short Term	<div><div></div></div> 1.5	<div><div></div></div> 13.3	<div><div></div></div> 6.7		
	Multi Asset	Flexible	<div><div></div></div> 5.7	<div><div></div></div> 21.7	<div><div></div></div> 8.8		
		High Equity	<div><div></div></div> 6.3	<div><div></div></div> 21.8	<div><div></div></div> 8.7		
		Medium Equity	<div><div></div></div> 4.1	<div><div></div></div> 20.2	<div><div></div></div> 7.5		
Low Equity		<div><div></div></div> 3.8	<div><div></div></div> 16.8	<div><div></div></div> 7.9			

ASSET CLASS 'SMARTIE BOX'

GLOBAL MARKETS STAGE A STRONG RECOVERY FROM LAST YEAR'S TUMBLE

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	3 years	5 years	10 years
Nominal ZAR total return p.a.	26.6%	35.0%	15.5%	21.0%	16.0%	23.5%	30.4%	36.9%	7.2%	31.3%	14.9%	17.3%	14.3%
	15.2%	31.8%	10.2%	17.2%	15.0%	16.1%	22.0%	29.2%	6.8%	21.6%	13.8%	15.5%	11.7%
	10.9%	30.2%	7.4%	12.1%	14.6%	12.0%	15.6%	28.6%	6.5%	13.0%	13.5%	11.9%	8.8%
	10.6%	21.1%	6.8%	10.2%	7.7%	10.3%	8.7%	8.5%	5.2%	10.1%	10.7%	8.2%	8.0%
	10.1%	8.0%	2.6%	7.5%	7.2%	7.3%	7.0%	8.4%	4.3%	9.7%	7.6%	5.9%	6.4%
	10.1%	6.5%	-4.0%	4.7%	5.1%	4.0%	5.4%	5.9%	3.6%	9.3%	7.4%	5.1%	5.9%
	8.6%	5.2%	-4.5%	1.9%	4.5%	3.3%	5.0%	4.8%	0.5%	8.1%	6.2%	5.0%	5.5%
	5.9%	5.1%	-10.0%	-2.8%	-8.5%	1.9%	3.1%	3.8%	-12.7%	7.5%	5.7%	3.5%	5.2%
	5.3%	-3.9%	-11.5%	-9.6%	-25.3%	-2.5%	-34.5%	0.9%	-12.8%	5.5%	-0.1%	0.2%	2.9%
	Local equities	Local property	Local bonds	Local cash	US Dollar	Global equities	Global bonds	Gold	Inflation				

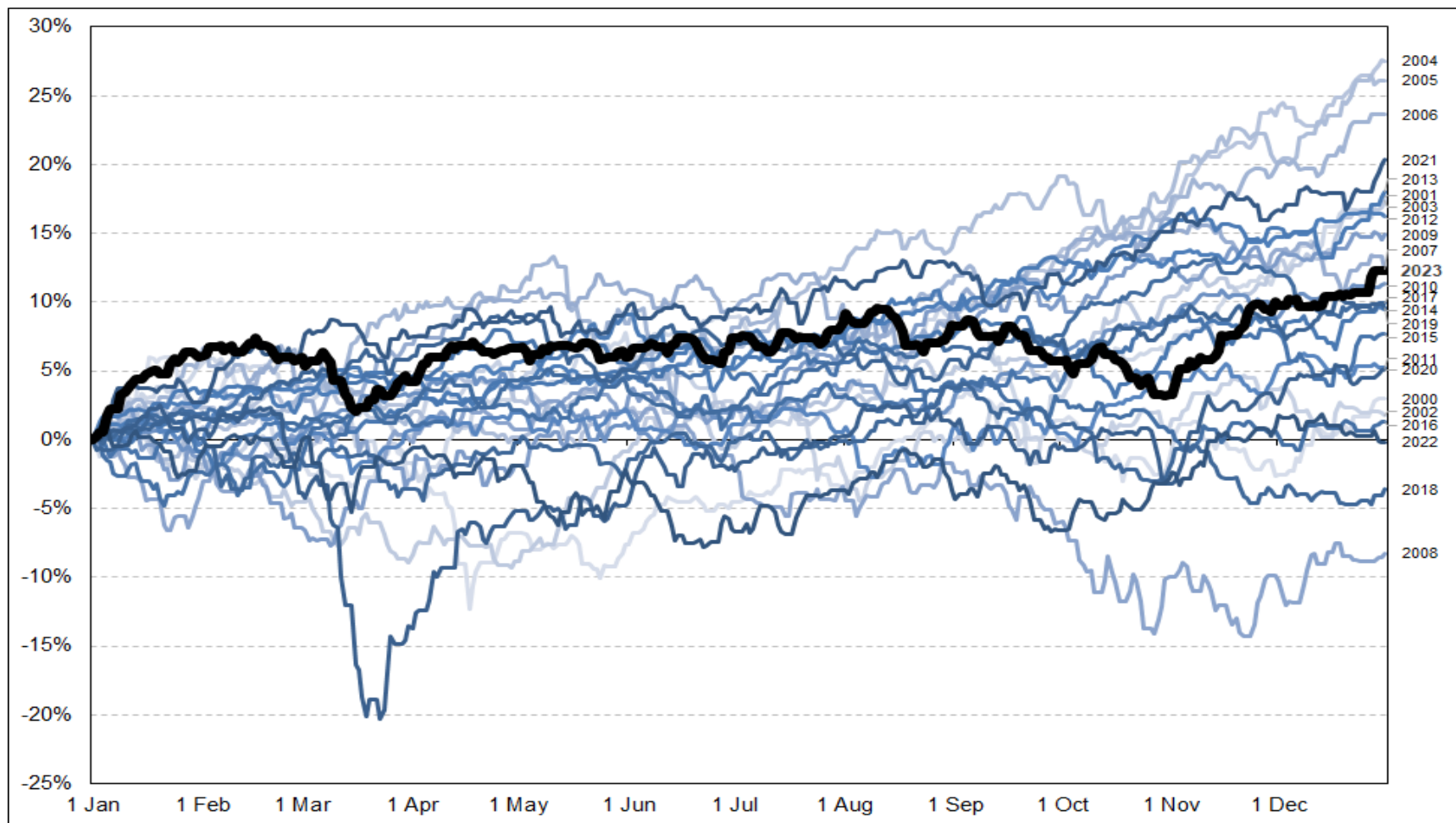
LARGE MANAGER 'SMARTIE BOX'

A GOOD YEAR FOR MOST BALANCED FUNDS

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	3 years	5 years	7 years	10 years
Gross return p.a.	13.3%	15.4%	7.0%	14.6%	-0.9%	14.5%	11.9%	26.8%	9.8%	16.6%	14.8%	12.9%	10.3%	9.7%
	12.9%	12.8%	6.9%	14.2%	-0.9%	13.7%	10.8%	25.8%	4.4%	14.5%	14.2%	11.3%	9.7%	9.6%
	12.1%	10.5%	6.6%	14.1%	-1.0%	12.5%	10.5%	24.7%	3.0%	14.1%	12.7%	11.1%	9.5%	9.5%
	12.1%	9.0%	4.4%	13.8%	-1.0%	12.2%	8.1%	24.0%	1.5%	13.7%	12.0%	11.1%	8.9%	9.2%
	11.7%	8.9%	3.8%	12.4%	-1.2%	11.6%	5.4%	22.5%	0.8%	13.4%	11.7%	10.4%	8.8%	8.6%
	11.6%	8.8%	3.4%	12.1%	-1.7%	10.9%	5.2%	22.0%	0.8%	12.8%	11.2%	10.1%	8.7%	8.5%
	11.6%	8.8%	3.4%	11.5%	-2.0%	10.5%	5.2%	21.9%	0.5%	12.7%	10.9%	9.9%	8.5%	8.1%
	11.3%	8.4%	3.2%	11.3%	-2.4%	9.8%	3.8%	20.3%	0.2%	11.6%	10.8%	9.7%	8.0%	7.9%
	11.0%	8.2%	1.7%	8.6%	-3.1%	9.4%	3.4%	19.6%	-1.0%	11.4%	10.2%	9.4%	7.8%	7.4%
	10.3%	6.5%	0.5%	7.8%	-3.9%	8.2%	2.1%	17.4%	-1.8%	8.8%	8.5%	9.1%	7.2%	7.3%
	9.7%	5.7%	0.4%	6.6%	-4.9%	6.6%	1.2%	16.1%	-4.2%					
	Absa	Allan Gray	Coronation	Foord	M&G	Ninety One	Oasis	Old Mutual	Sanlam	Stanlib	AF LMW median			

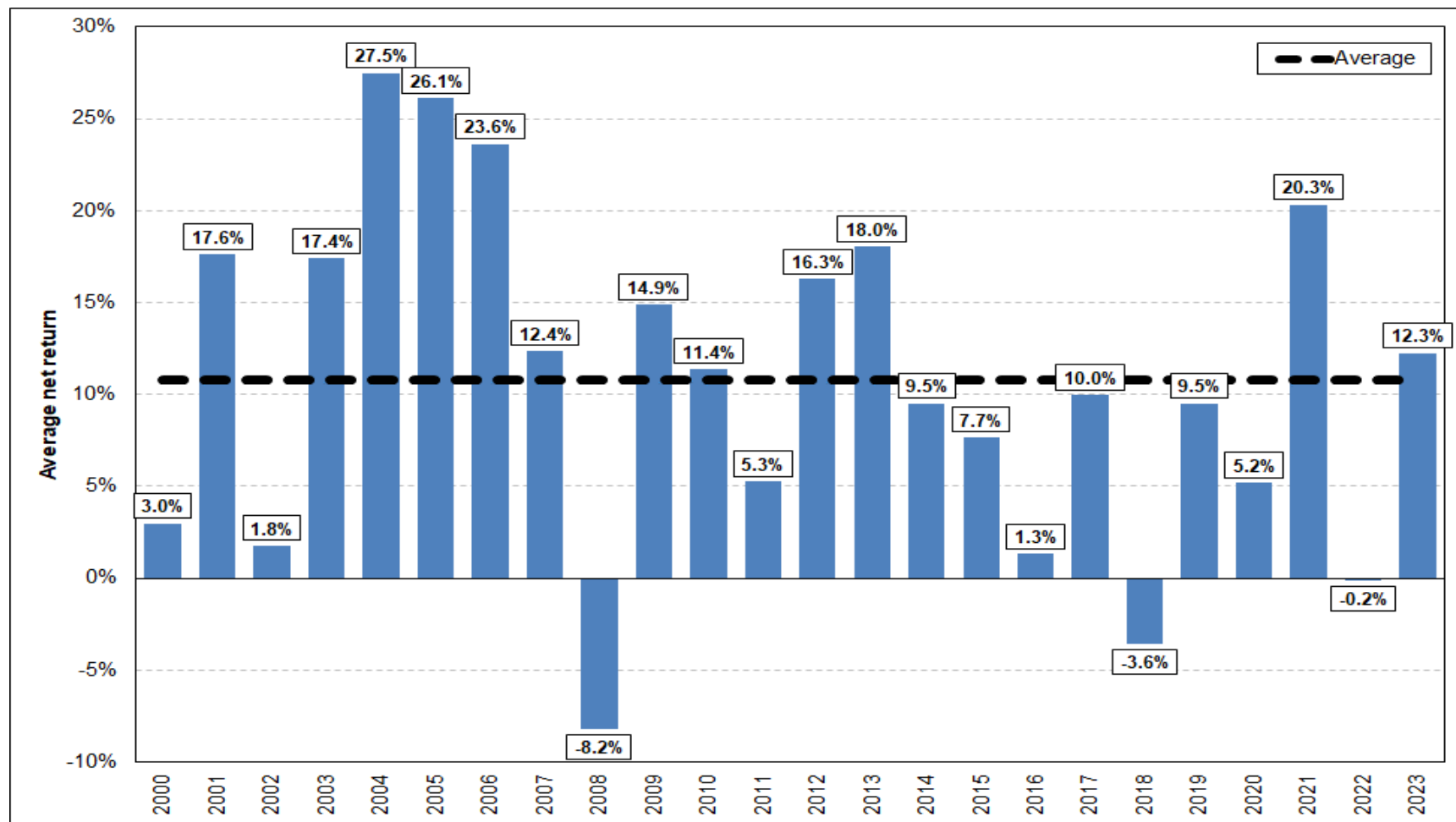
AVERAGE BALANCED FUND *

RETURNED +12.3% IN 2023



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

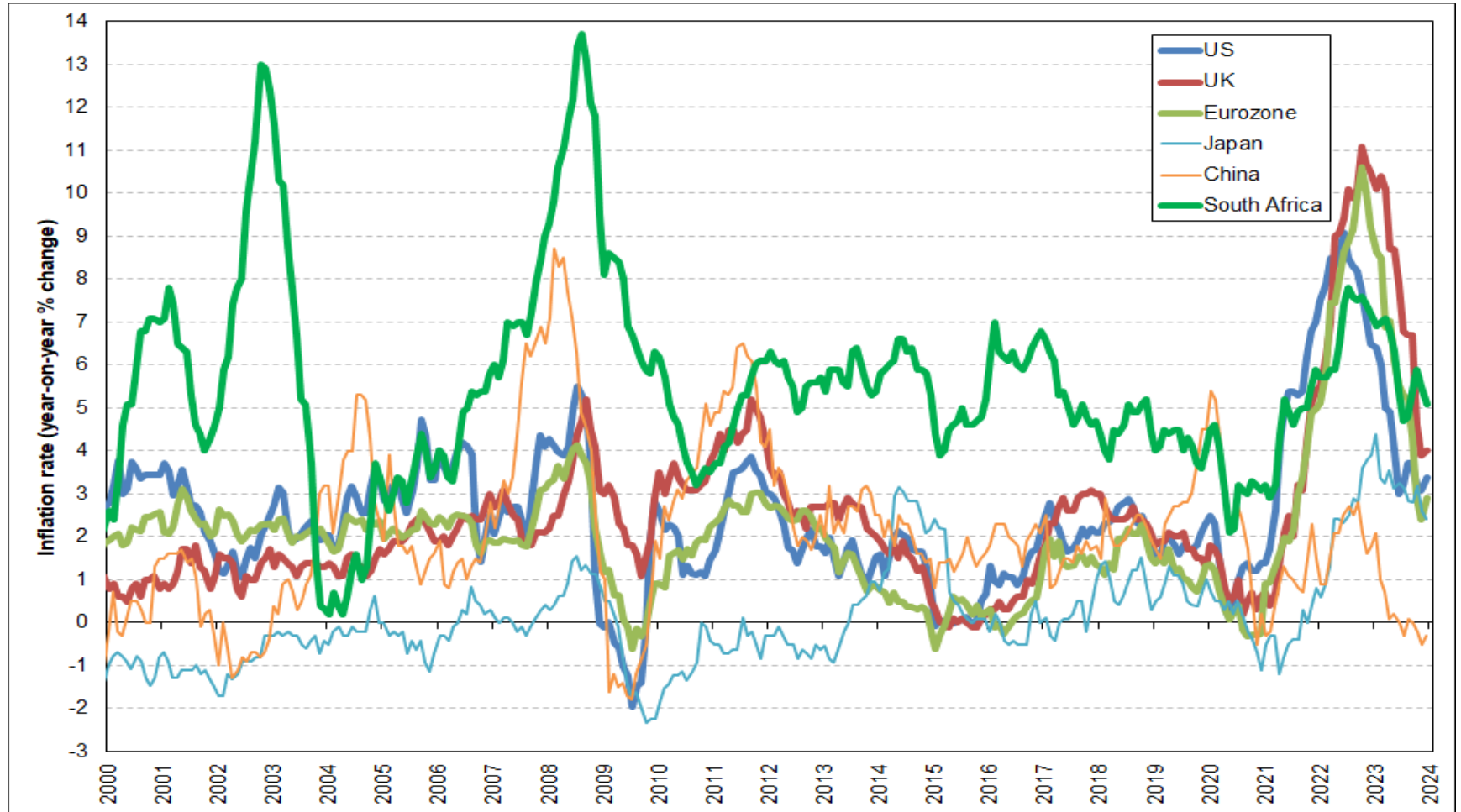
AVERAGE BALANCED FUND * ENJOYS AN ABOVE-AVERAGE YEAR FOLLOWING A TOUGH 2022



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

INFLATION RATES

WHERE WILL THEY SETTLE?...



INTEREST RATES

...AND HOW LOW WILL THEY GO?

