MONTH IN PICTURES

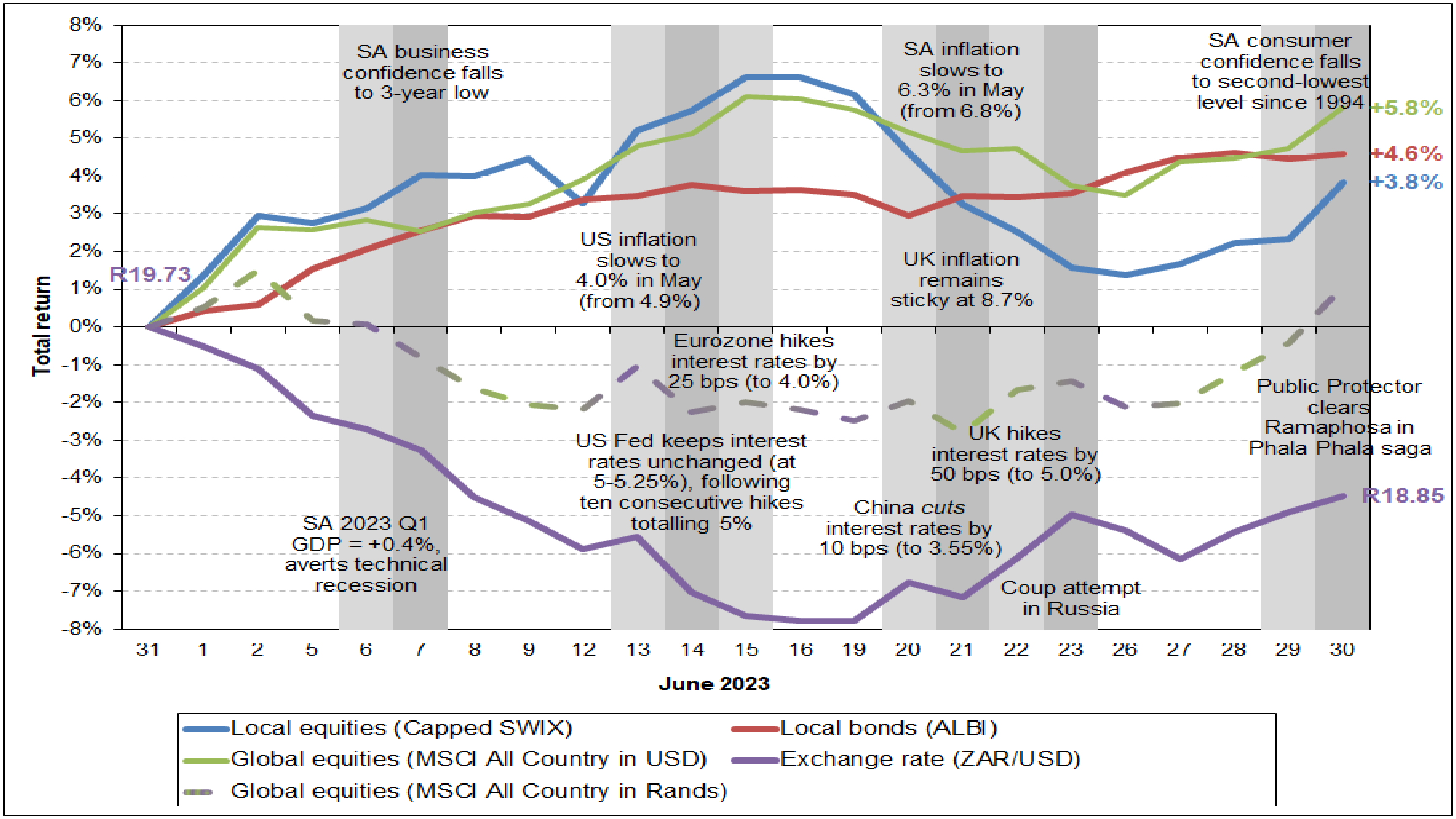
JUNE 2023

MONTHLY SNAPSHOT
NOTABLE EVENTS

- June brought with it some reprieve from May's sell-off, as reduced levels of loadshedding, and the fading memory of our government's foreign diplomacy blunders boosted local markets.
- The ALSI rose by 1.4% and the Capped SWIX gained 3.9% as Financials (+11.7%) led the gains, followed by a decent return from Industrials (+3.7%). Improved sentiment supported the performance of 'SA Inc' stocks such as banks (+13%) and retailers (+16%), while Naspers (+14%) and Prosus (+6%) jumped on the news that management's decision to unwind the complex cross-holding structure (which was introduced barely two years ago) was approved by the regulators. Resources (-7.6%), was under pressure, however, as precious metal miners suffered double-digit losses on the back of falling gold and PGM prices.
- Local bonds bounced back strongly with a return of +4.6%, while the Rand clawed back some of its losses from the previous month by strengthening to R18.85/USD, or by 4.5%.
- Global equity markets were also strong (+5.8% in USD), while global bonds were flat, resulting in ZAR returns of +1.1% and -4.5%, respectively.
- Inflation rates continued to fall in June, ending the quarter at 7.9% in the UK, 5.5% in the Eurozone, 5.4% in South Africa, and just 3.0% in the US. Interest rate decisions by central banks (in June and July) largely followed the degree to which inflation was under control in their respective jurisdictions, with one 50 basis point (bp) hike in the UK (to 5.0%) and two 25 bp hikes in the Eurozone (to 4.25%), while the US Fed kept their rates unchanged in June, but hiked by 25 bps in July (to 5.25-5.5%). In South Africa the Reserve Bank surprised markets by keeping the repo rate on hold at their July meeting (at 8.25%), following ten consecutive hikes totaling 4.75% since November 2021.
- Following June's recovery local equities managed to end the second quarter marginally up (ALSI = +0.7% and Capped SWIX = +1.2%), but local bonds fell by 1.5% and the Rand ultimately depreciated by 5.9% against the USD. Global markets were mixed, with equities enjoying another strong quarter (+6.2% in USD), while bonds suffered a USD loss of 1.8%. With the weak Rand the local currency returns from offshore were strong though (+12.5% and +4.0%, respectively), resulting in a decent return of approximately +3% from the average balanced fund *.
- This means that global markets remain in the lead on a year-to-date (YTD) basis, with double-digit returns of +26.1% and +12.5% from global equities and bonds, respectively (boosted by the Rand's 11% depreciation). In a reversal from last year results, local markets have been fairly pedestrian by comparison (ALSI = +5.9%, Capped SWIX = +3.6% and local bonds = +1.8%), but the average balanced fund * is sporting a decent YTD return of around +7%, with many managers having recently started to take advantage of the increased regulatory offshore allowance announced last year.
- Market returns over the last year have been strong following the lowish base set by 2022 Q2's sell-off (ALSI = +20%, Capped SWIX = +13%, local bonds = +8%, global equities = +35% and global bonds = +13%), resulting in a solid 1-year return of almost +15% from the average balanced fund *.

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

MONTHLY TIMELINE
IMPACT ON MARKETS



Source: Iress

Robson • Savage

MARKET INDICATORS
SHORT TERM

Market indicators (% change) [1]		Apr 2023	May 2023	Jun 2023	3 months	YTD	12 months
Local equities	ALSI	3.4	(3.9)	1.4	0.7	5.9	19.6
	Capped SWIX	3.4	(5.8)	3.8	1.2	3.6	13.5
	Resources	4.0	(2.2)	(7.6)	(6.1)	(10.5)	3.0
	Industrials	3.1	(3.3)	3.7	3.4	17.5	34.2
	Financials	3.0	(7.9)	11.7	5.9	6.4	14.1
	Listed Property	5.4	(5.3)	0.9	0.7	(4.4)	10.0
Local bonds	ALBI	(1.1)	(4.8)	4.6	(1.5)	1.8	8.2
Local cash	STeFI Composite	0.6	0.6	0.6	1.9	3.7	6.8
Global equities	MSCI All Country	4.3	6.7	1.1	12.5	26.1	34.8
Global bonds	FTSE WGBI	3.2	5.5	(4.5)	4.0	12.5	12.8
Exchange rate	ZAR/USD	2.8	7.9	(4.5)	5.9	10.7	15.7
Inflation	CPI	0.4	0.2	0.2	0.8	2.4	5.4

1. *Total returns (in Rands) for the months and periods ending 30 June 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	19.6	16.1	9.6	10.3	9.7	15.2
	Capped SWIX	13.5	15.7	6.9	8.5	-	-
	Resources	3.0	13.9	15.0	9.2	3.1	11.0
	Industrials	34.2	14.5	8.5	10.2	13.9	18.3
	Financials	14.1	20.8	4.0	7.8	11.1	13.2
	Listed Property	10.0	11.3	(3.5)	1.5	9.1	12.5
Local bonds	ALBI	8.2	7.6	7.4	7.4	9.0	8.4
Local cash	STeFI Composite	6.8	5.0	5.8	6.3	6.6	7.1
Global equities	MSCI All Country	34.8	14.1	15.2	16.0	13.0	13.3
Global bonds	FTSE WGBI	12.8	(3.9)	4.4	6.2	6.8	6.9
Exchange rate	ZAR/USD	15.7	2.8	6.5	6.7	6.0	4.7
Inflation	CPI	5.4	5.9	4.9	5.2	5.2	5.3

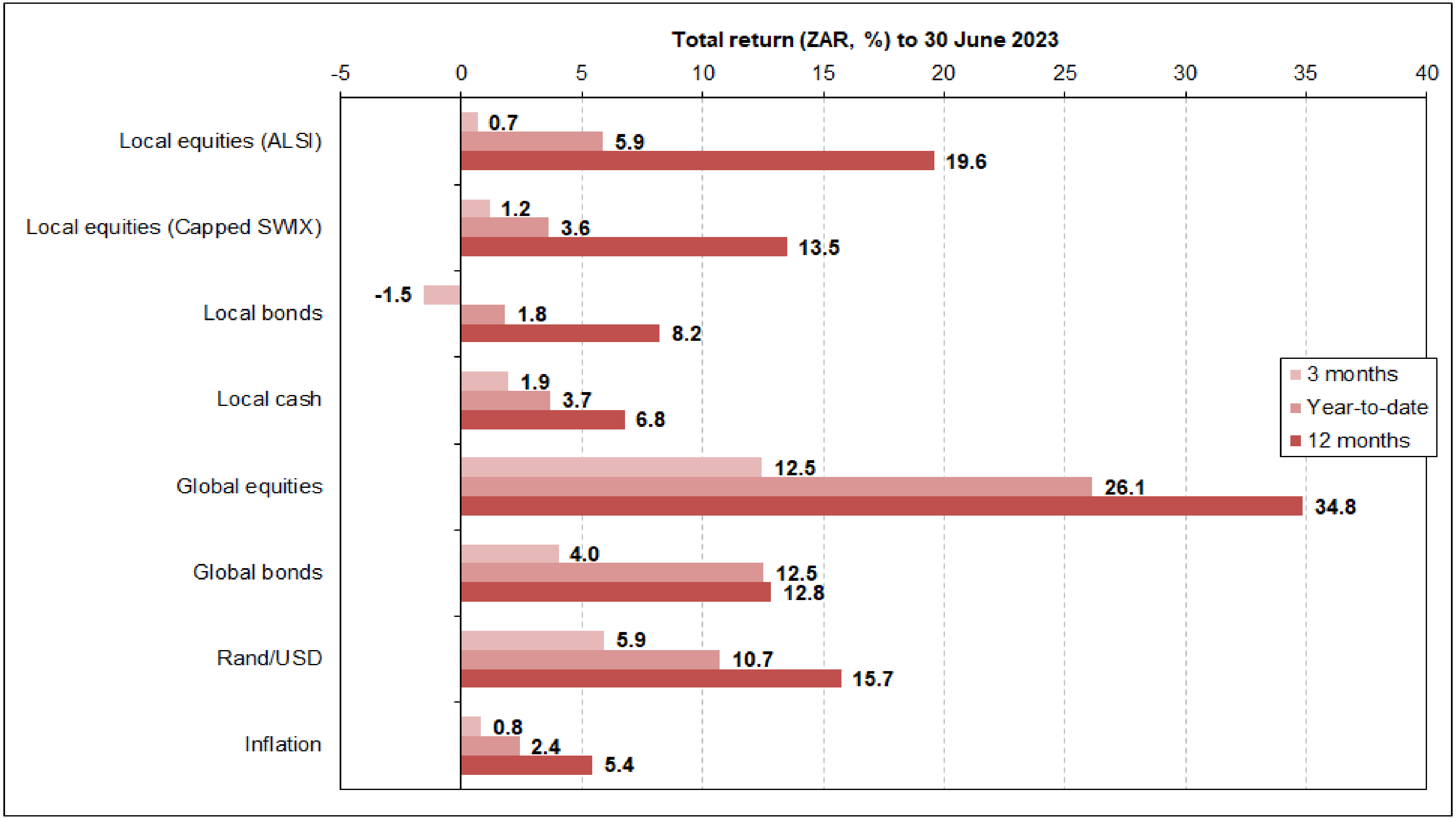
1. *Total returns (in Rands) for the months and periods ending 30 June 2023.*

ECONOMIC INDICATORS

Economic indicators [1]	Jun 2021	Jun 2022	Apr 2023	May 2023	Jun 2023
Exchange rates:					
ZAR/USD	14.27	16.29	18.29	19.73	18.85
ZAR/GBP	19.75	19.82	22.98	24.55	23.94
ZAR/Euro	16.93	17.06	20.15	21.09	20.57
Commodities:					
Brent Crude Oil (USD/barrel)	74.62	109.03	80.33	72.60	75.41
Platinum (USD/ounce)	1,072.50	916.50	1,074.01	994.30	901.00
Gold (USD/ounce)	1,761.22	1,815.02	1,989.78	1,956.28	1,919.63

1. *Month-end prices*

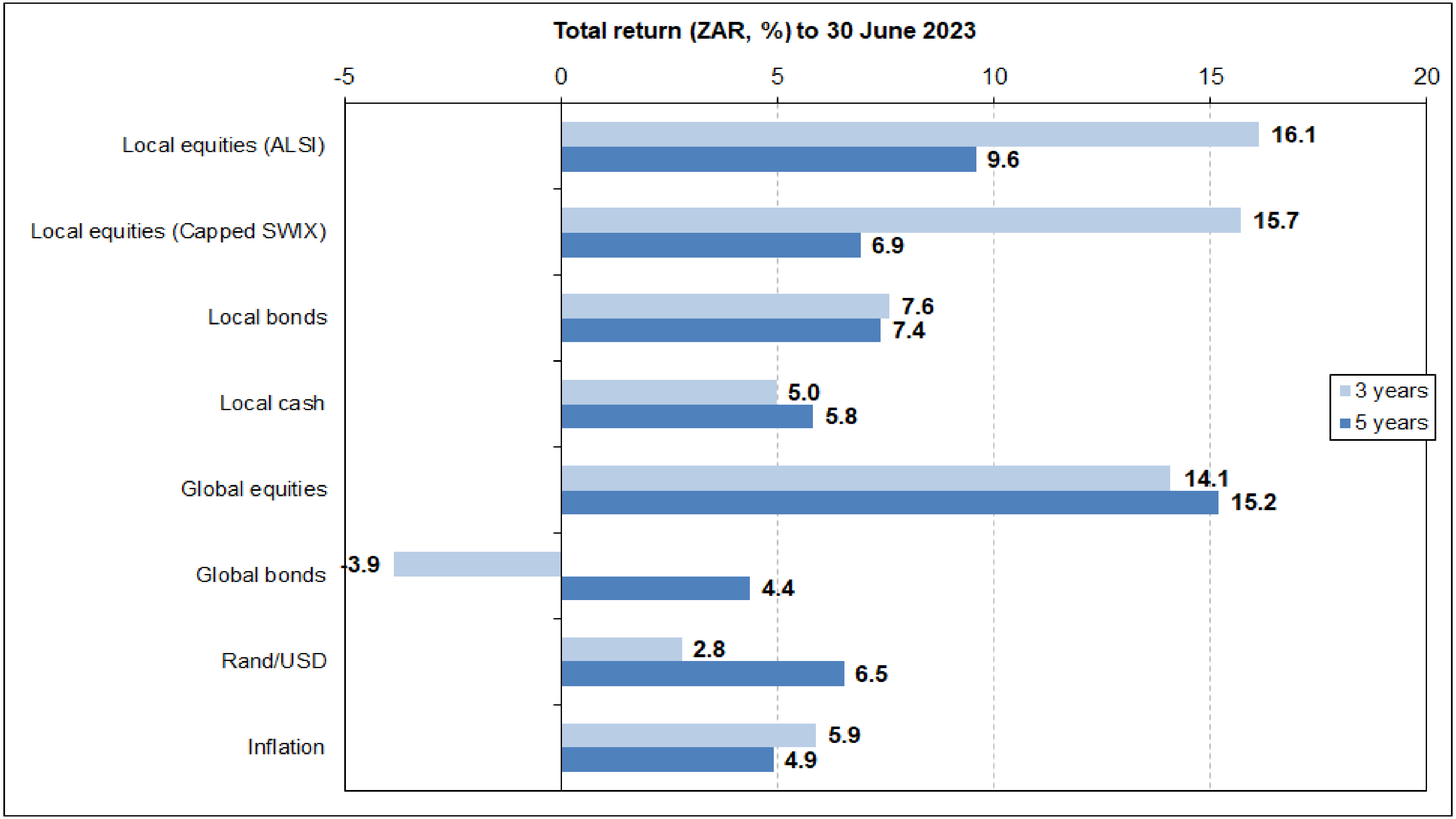
ASSET CLASS PERFORMANCE
SHORT TERM



Source: Iress

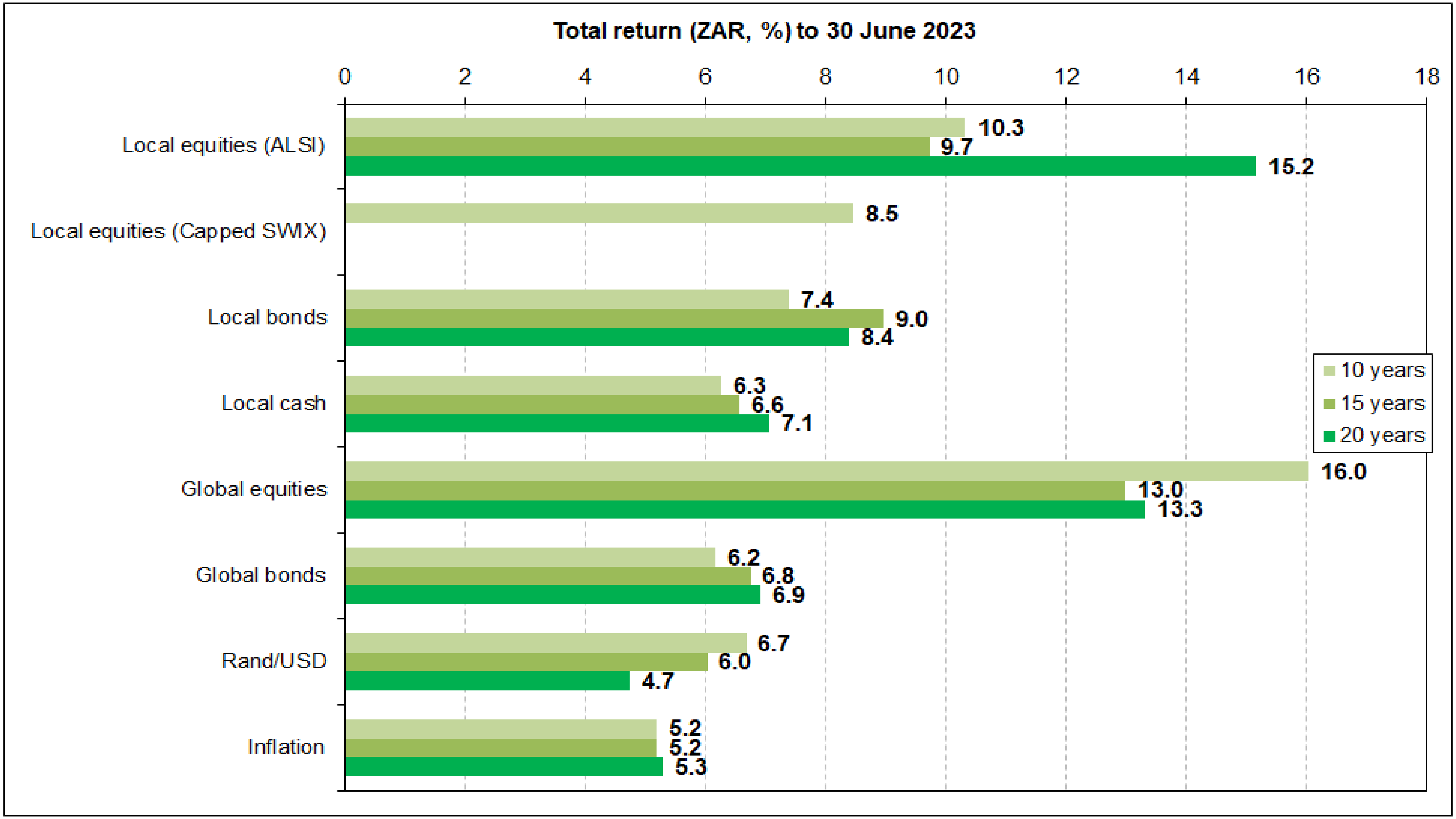
Robson • Savage

ASSET CLASS PERFORMANCE
MEDIUM TERM



Source: Iress

ASSET CLASS PERFORMANCE
LONG TERM



Source: Iress

Robson • Savage

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

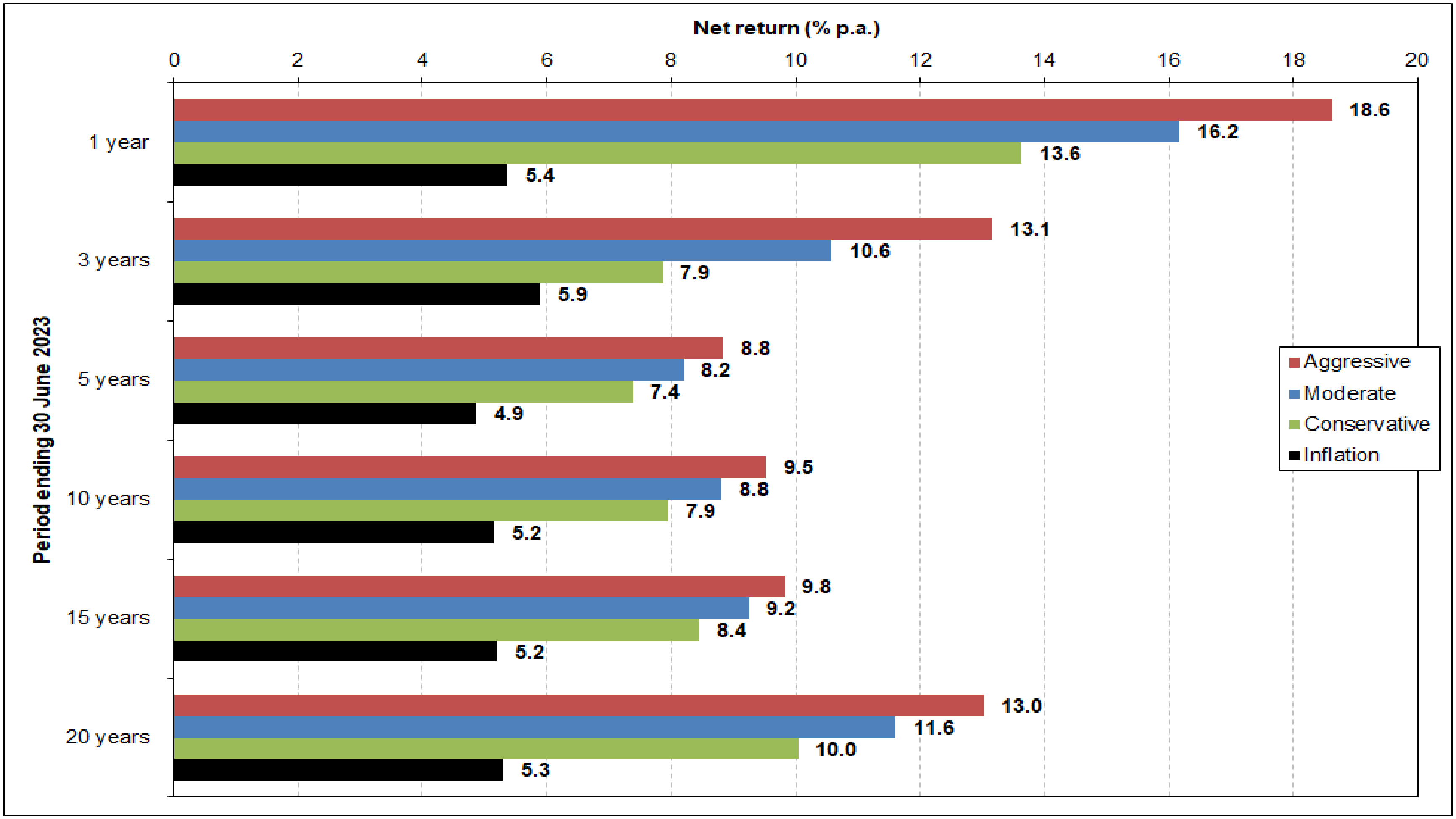
Strategic allocation	LOCAL VS OFFSHORE	60%			40% (5% below regulatory maximum)	
	GROWTH VS INCOME ASSETS	55%	45%		55%	45%
	EQUITIES VS BONDS VS CASH	100%	55%	45%	100%	100%
Current allocation		~33%	~15%	~12%	~22%	~18%

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?

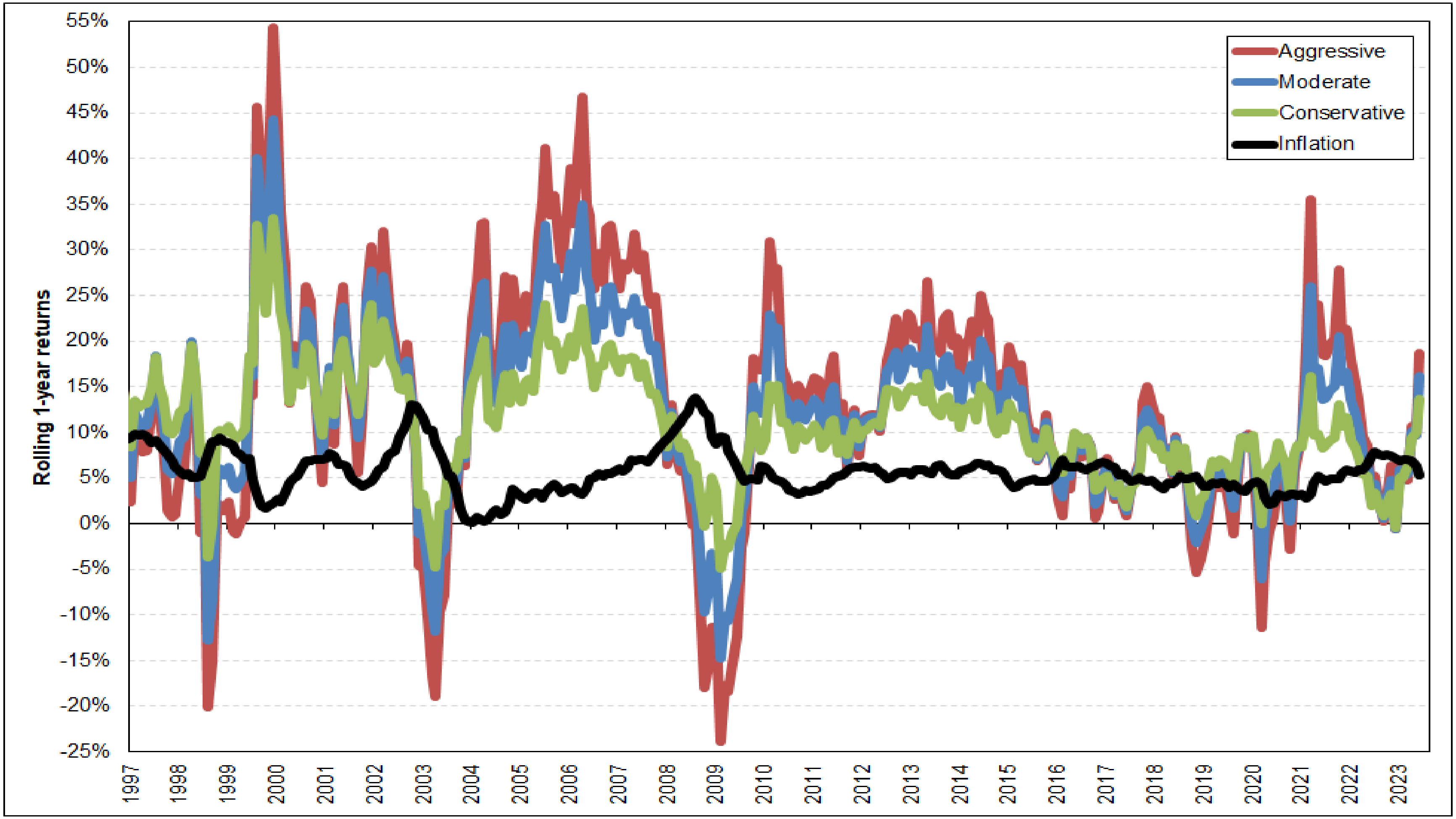


Source: Iress

Robson • Savage

MARKET PERFORMANCE

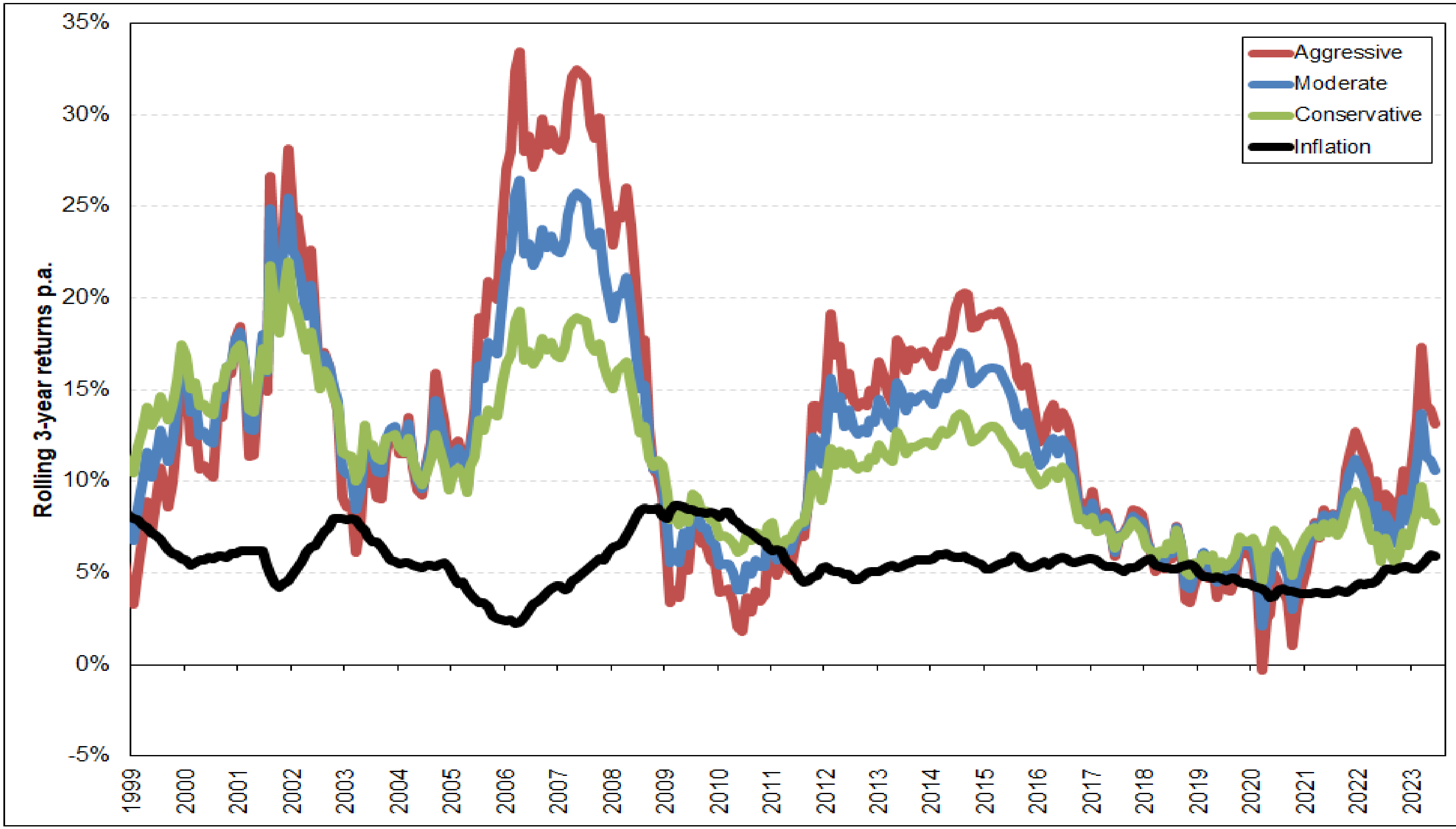
ROLLING 1-YEAR RETURNS SHOOT UP FROM LAST YEAR'S LOW BASE



Source: Iress

MARKET PERFORMANCE

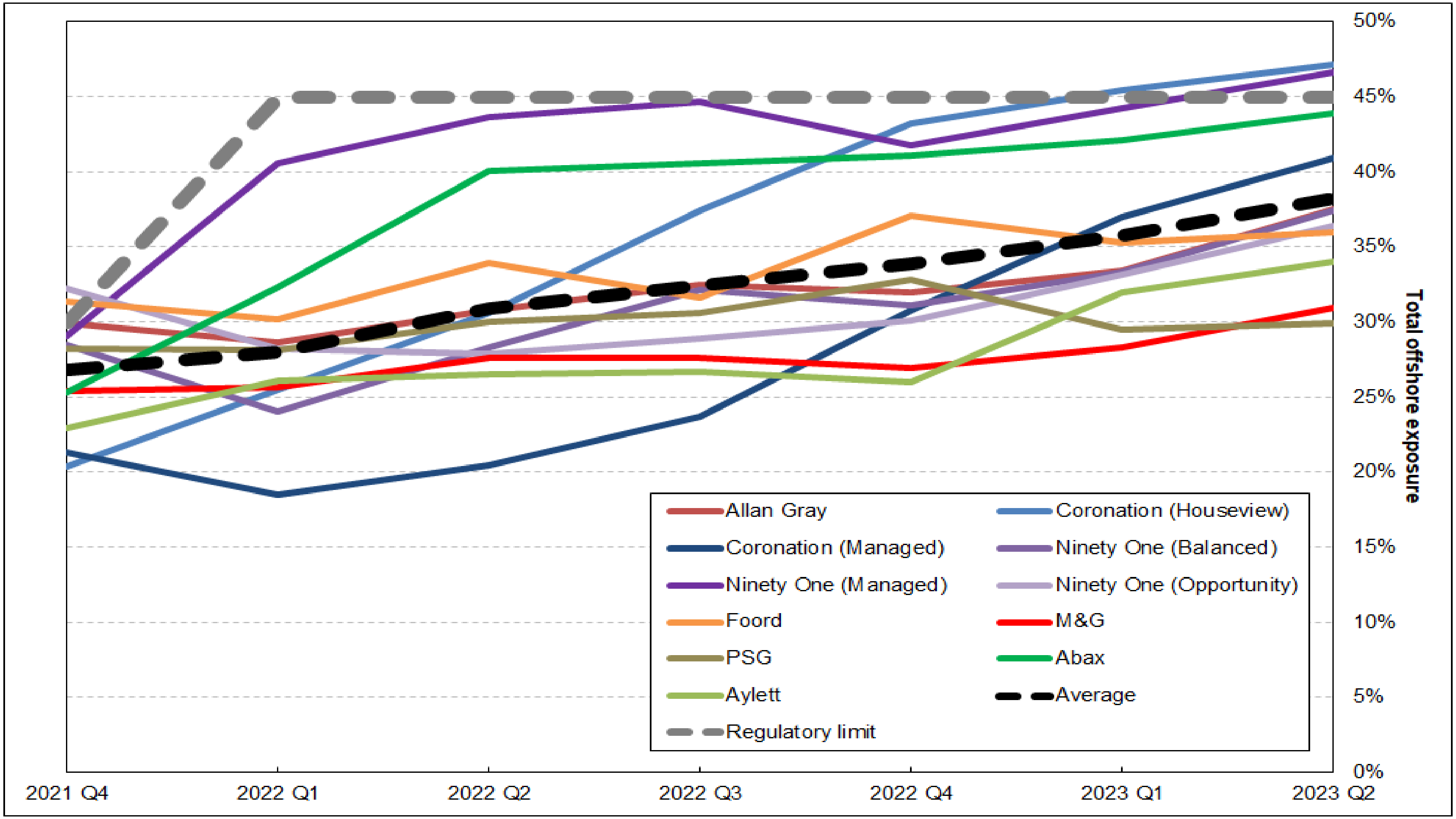
ROLLING 3-YEAR RETURNS STILL TAILING OFF, BUT REMAINS REASONABLY STRONG



Source: Iress

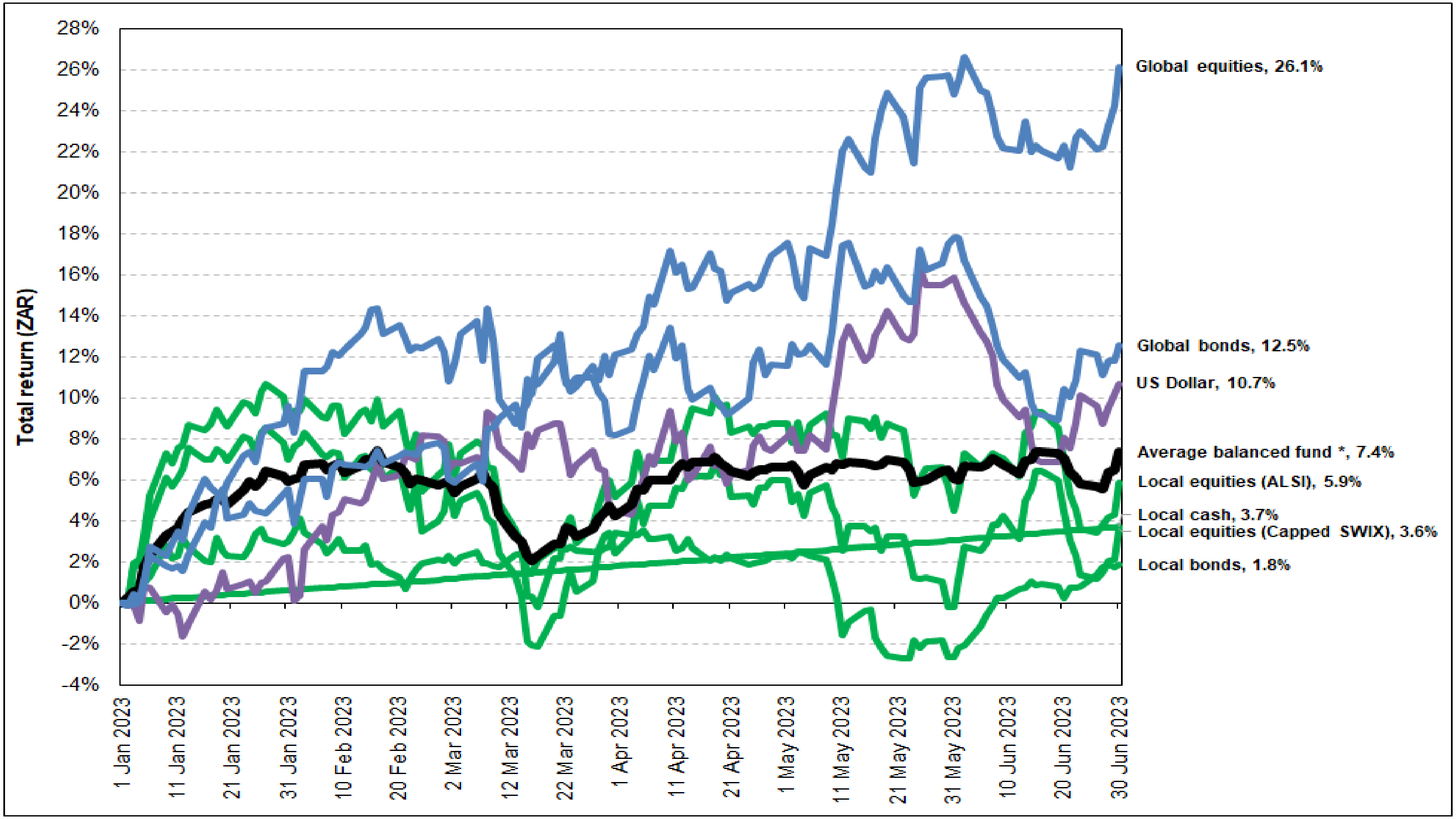
OFFSHORE EXPOSURES

BALANCED FUNDS TAKING ADVANTAGE OF INCREASED LIMITS



MARKETS in 2023 (ZAR)

LOCAL MARKETS BOUNCE BACK A BIT IN JUNE, BUT GLOBAL REMAINS IN THE LEAD YTD



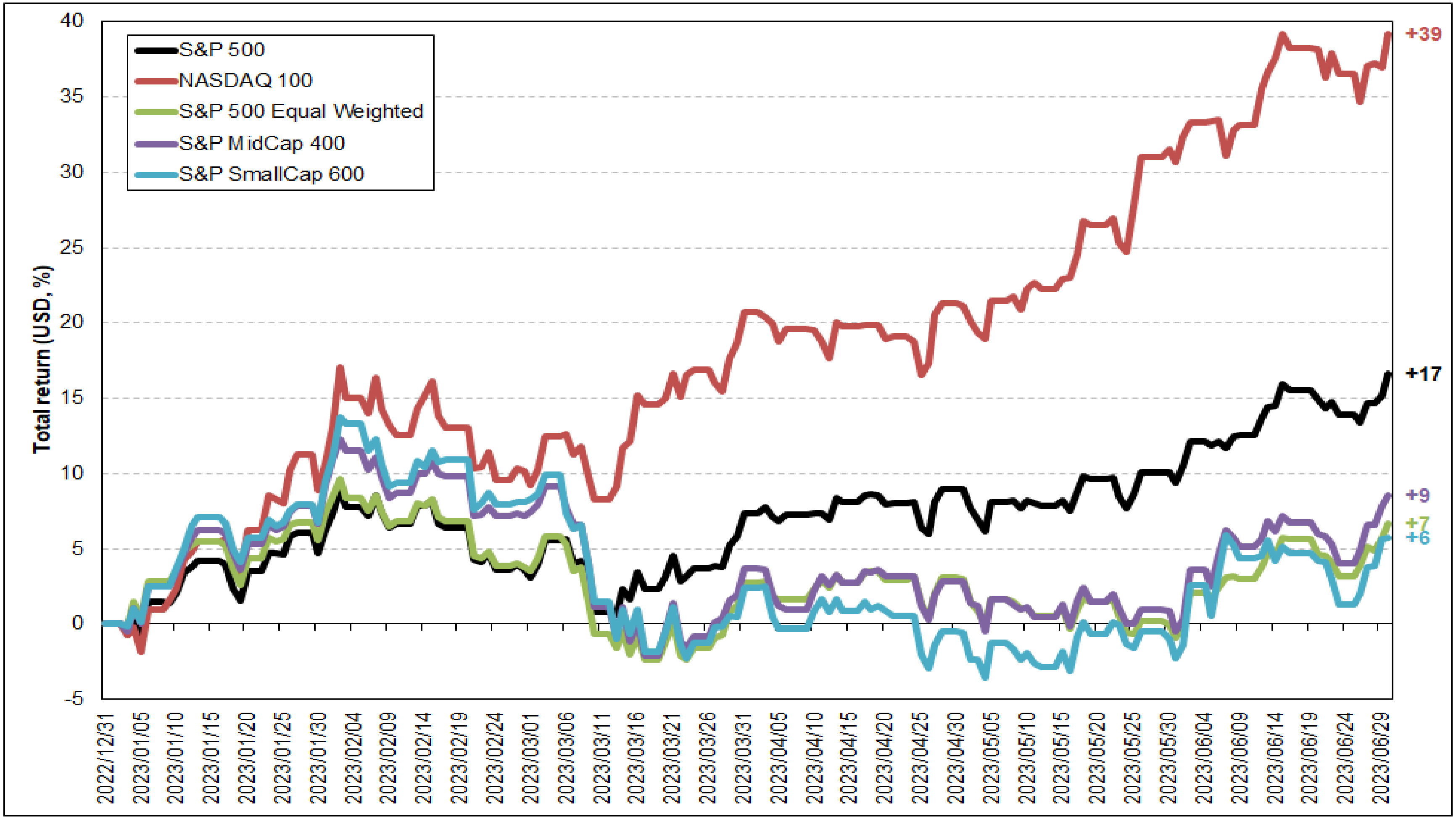
Source: Iress, Morningstar

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

Robson • Savage

US EQUITIES in 2023 (USD)

MARKET BREADTH ALSO IMPROVED SOMEWHAT IN JUNE, BUT THE RECOVERY REMAINS NARROW...

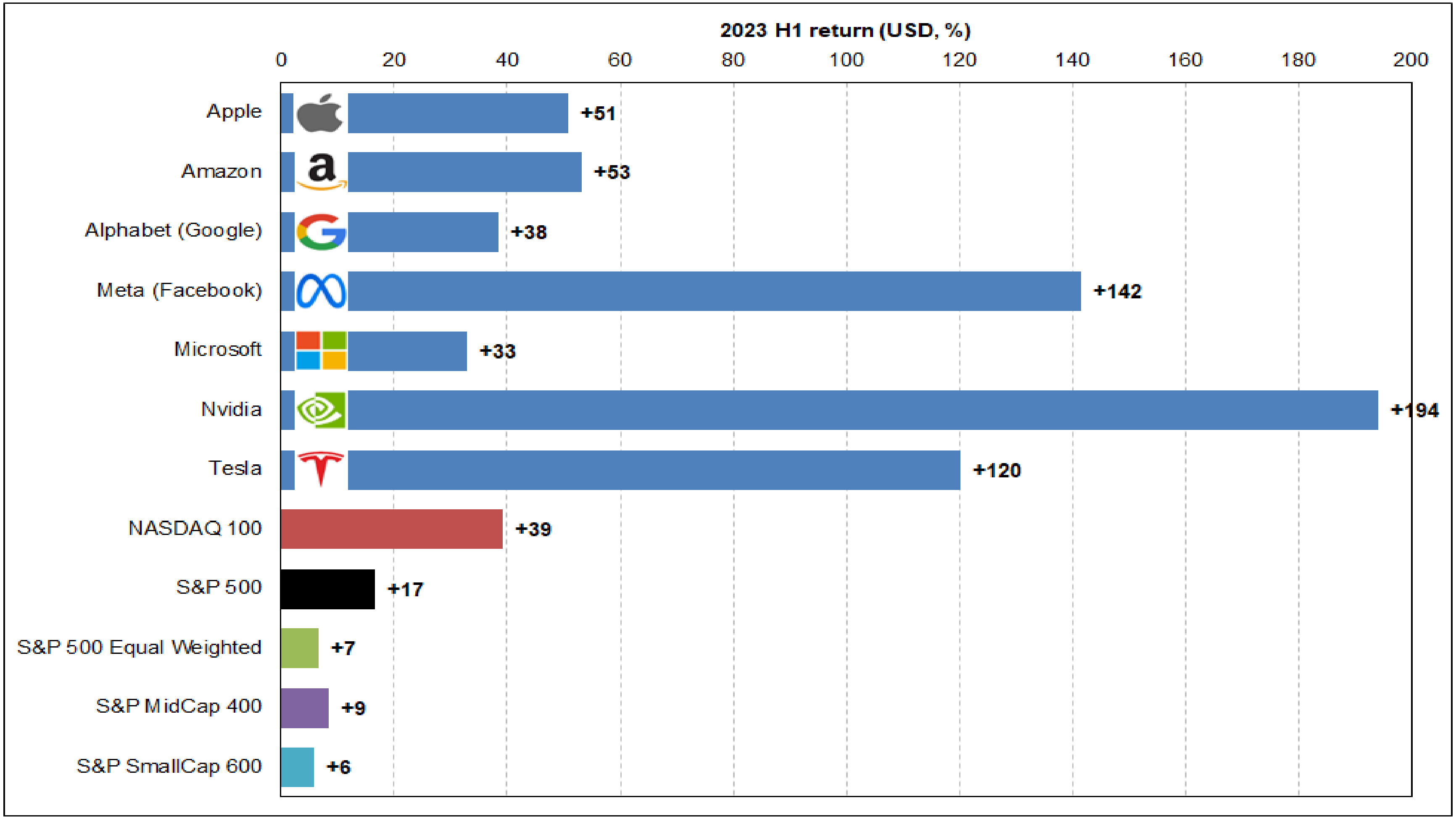


Source: Morningstar

Robson • Savage

US EQUITIES in 2023 (USD)

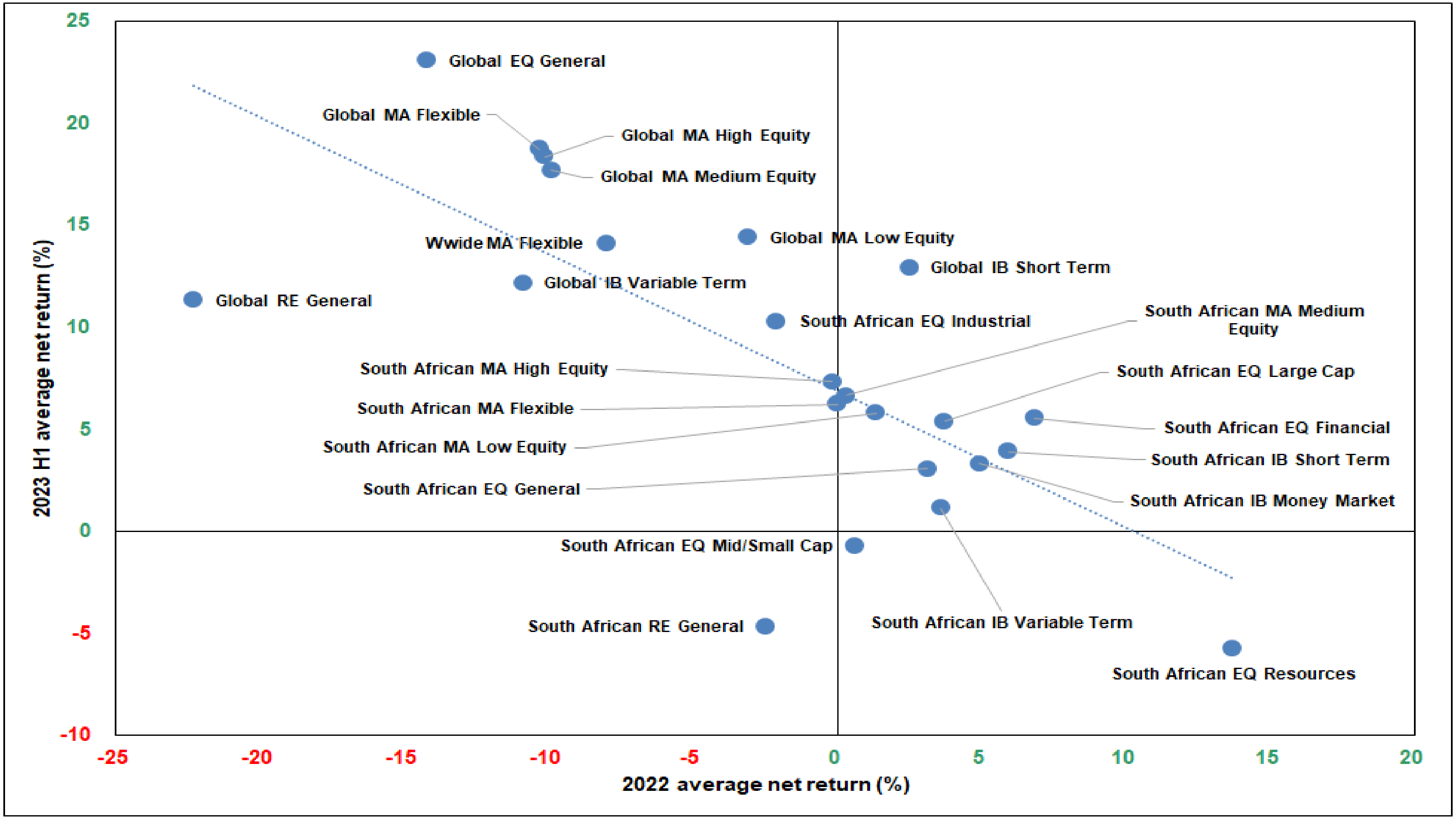
...AS THE 'MAGNIFICENT SEVEN' DRIVES MOST OF 2023's RETURNS



Source: Morningstar

Robson • Savage

2022 vs 2023 H1 (UNIT TRUSTS)
THIS YEAR's WINNERS = LAST YEAR's LOSERS

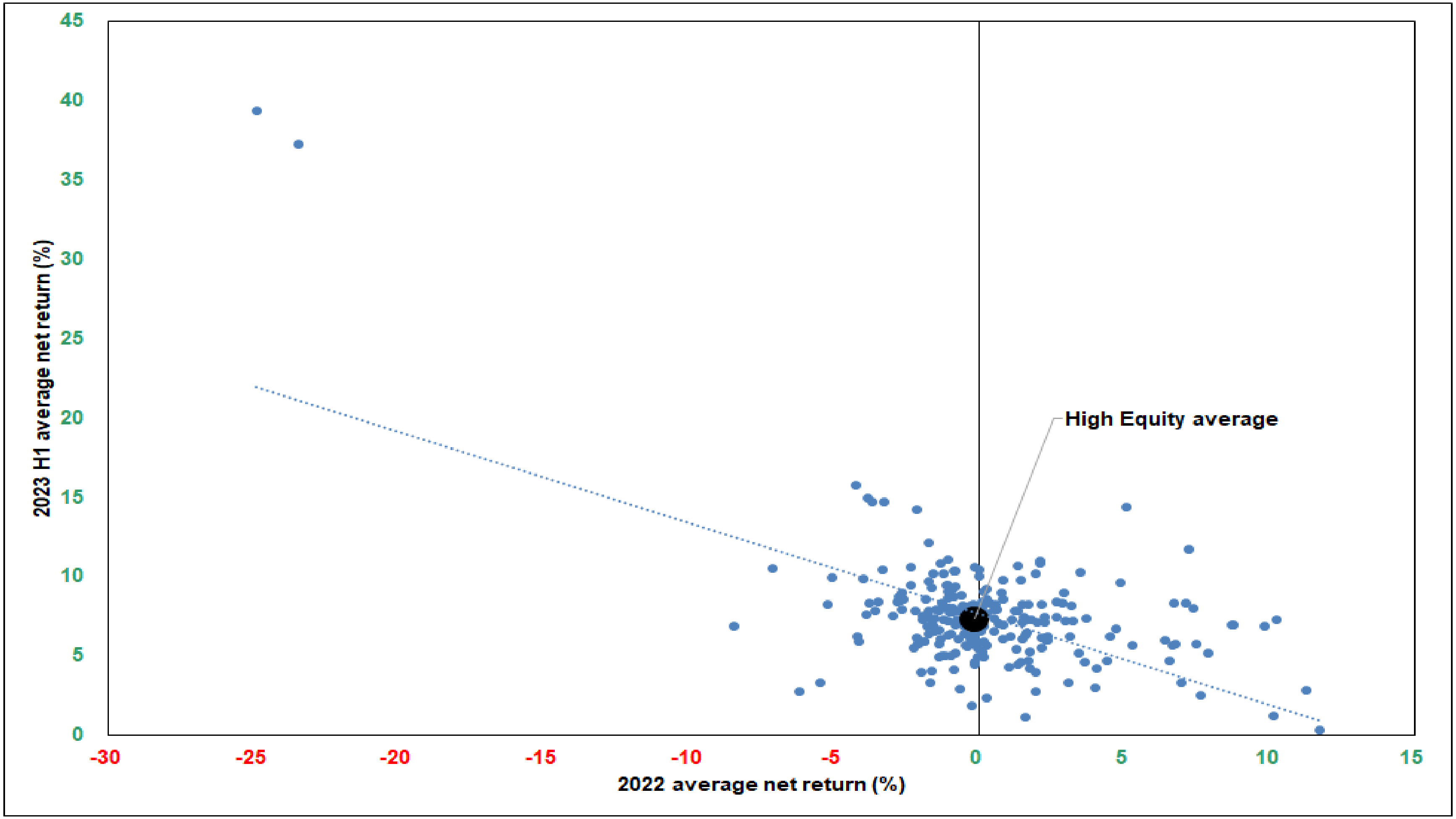


Source: Morningstar

Robson • Savage

2022 vs 2023 H1 (BALANCED FUNDS)

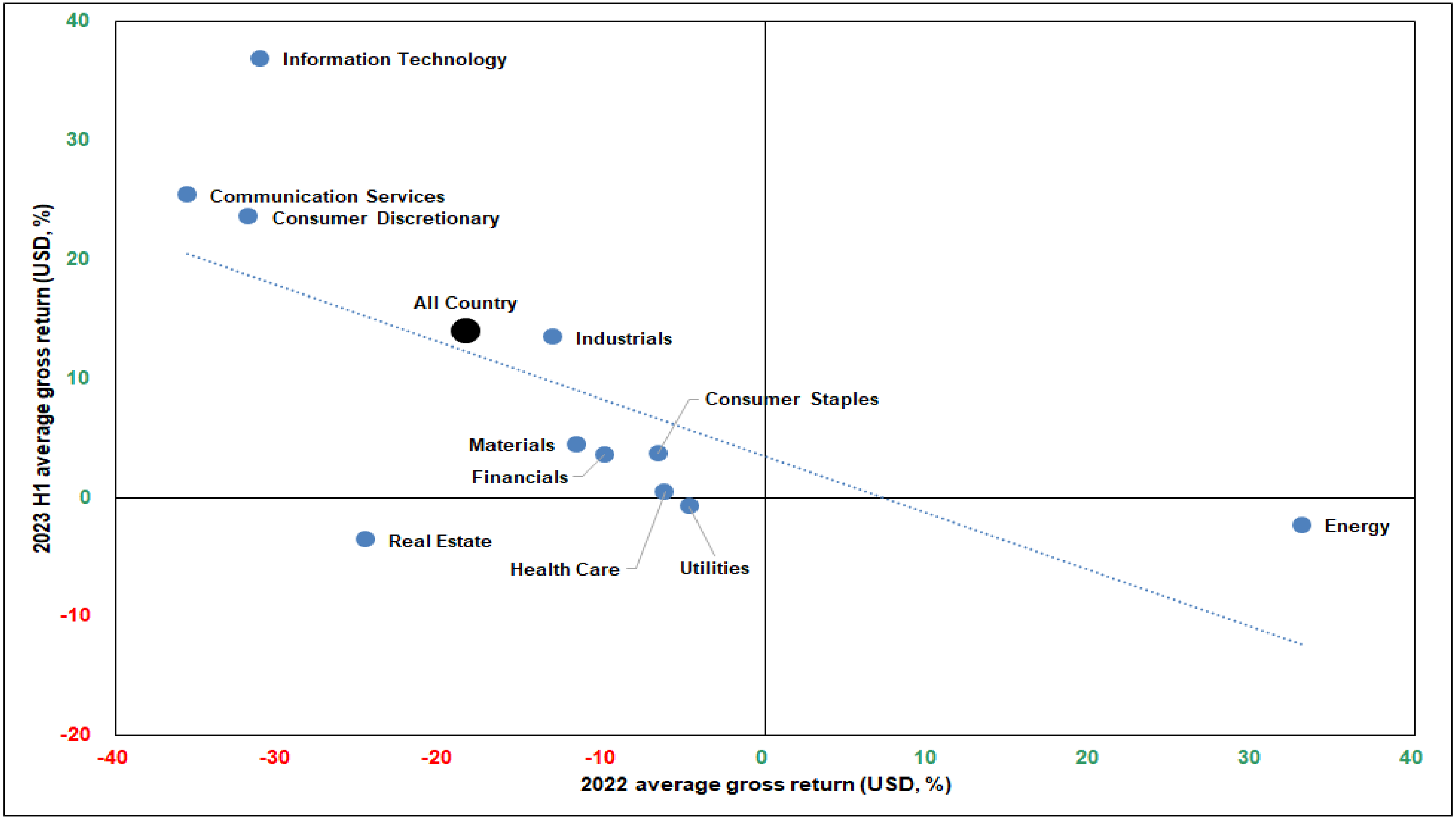
THIS YEAR's WINNERS = LAST YEAR's LOSERS



Source: Morningstar

Robson • Savage

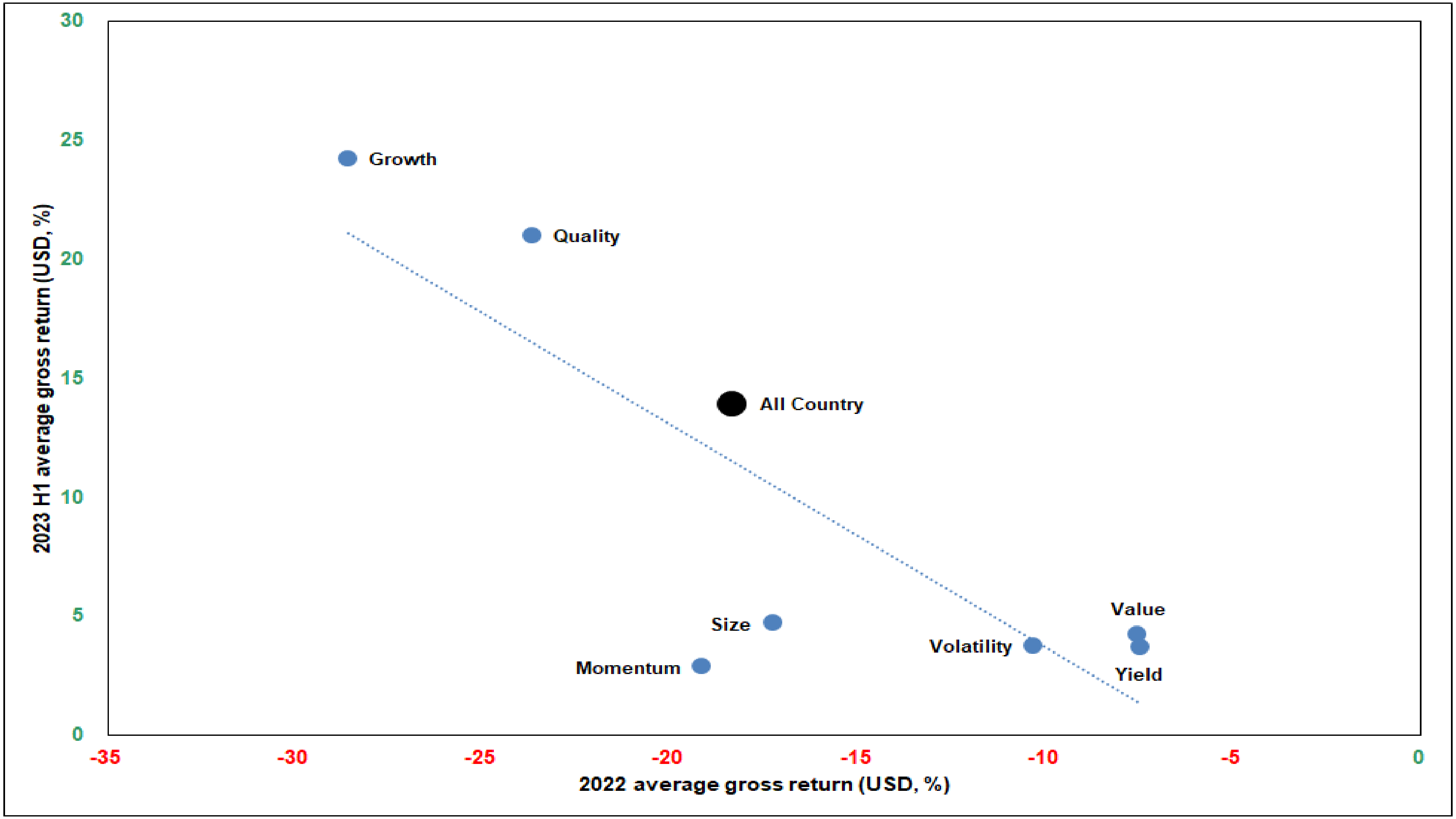
2022 vs 2023 H1 (EQUITY SECTORS)
THIS YEAR's WINNERS = LAST YEAR's LOSERS



Source: Morningstar

Robson • Savage

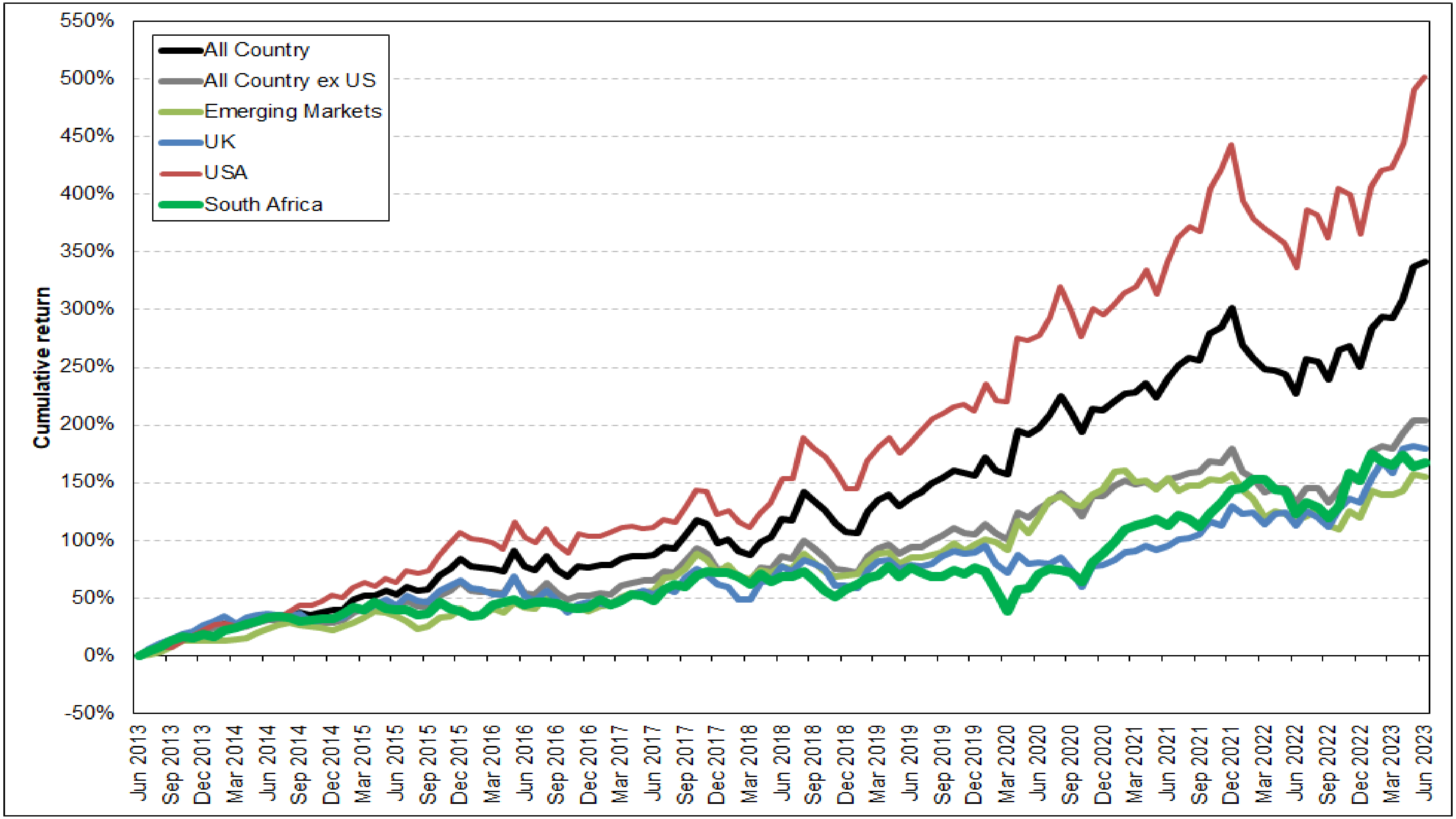
2022 vs 2023 H1 (EQUITY STYLES)
THIS YEAR's WINNERS = LAST YEAR's LOSERS



Source: Morningstar

Robson • Savage

GLOBAL EQUITIES (2013 to 2023)
US OUTPERFORMS, SA IN LINE WITH THE REST

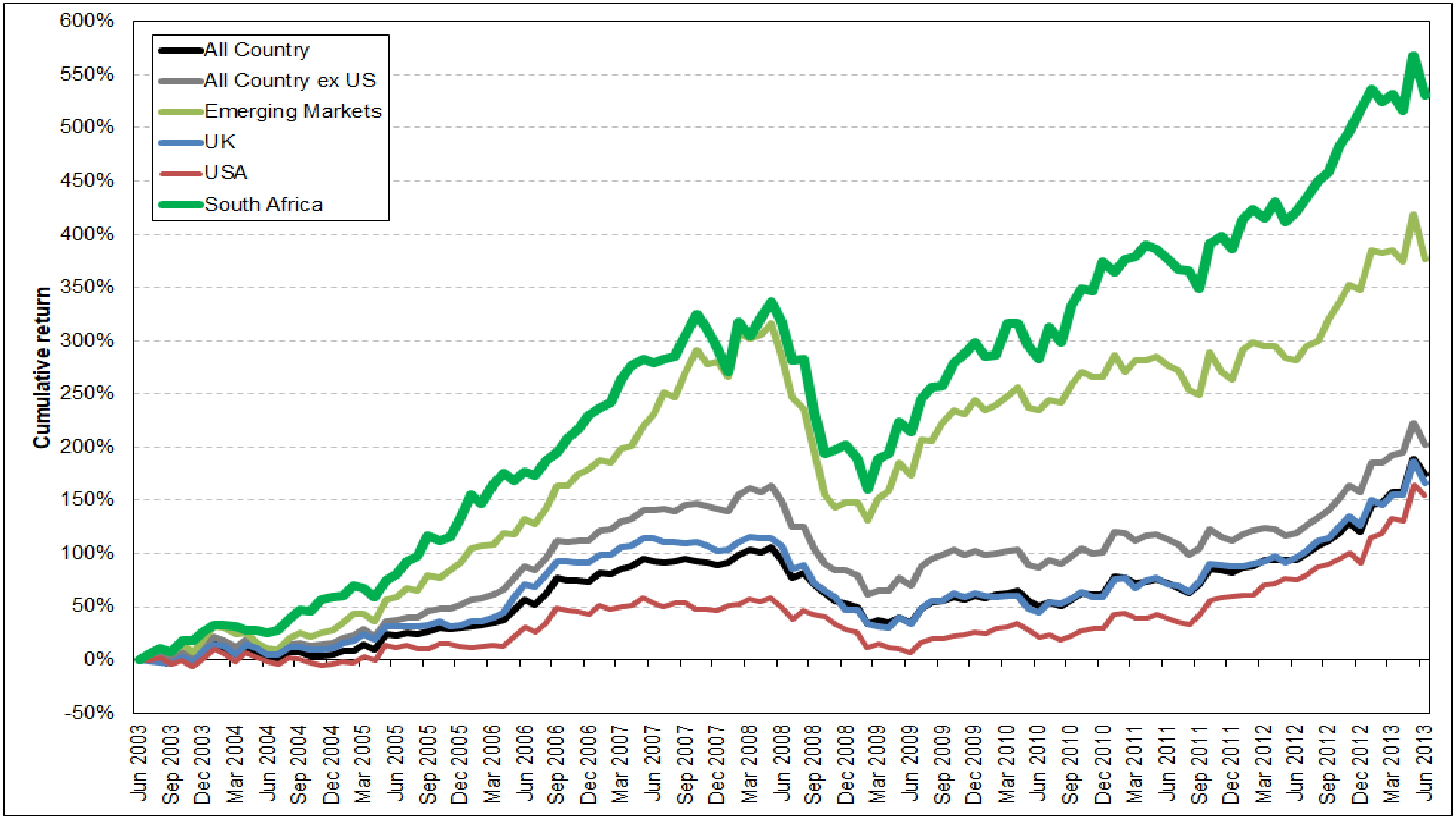


Source: Iress

Robson • Savage

GLOBAL EQUITIES (2003 to 2013)

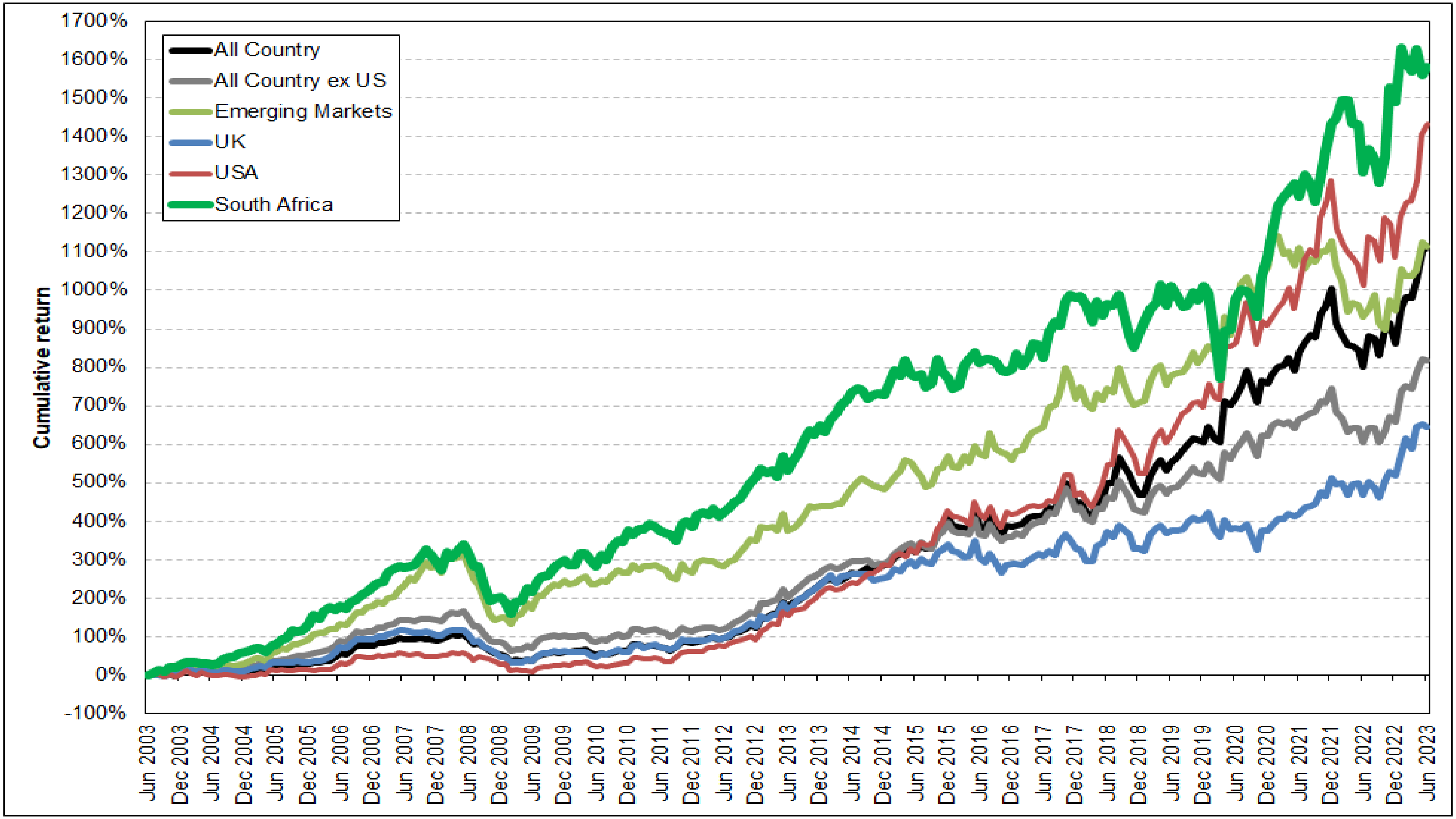
US UNDERPERFORMS, SA & EMs SHINE



Source: Iress

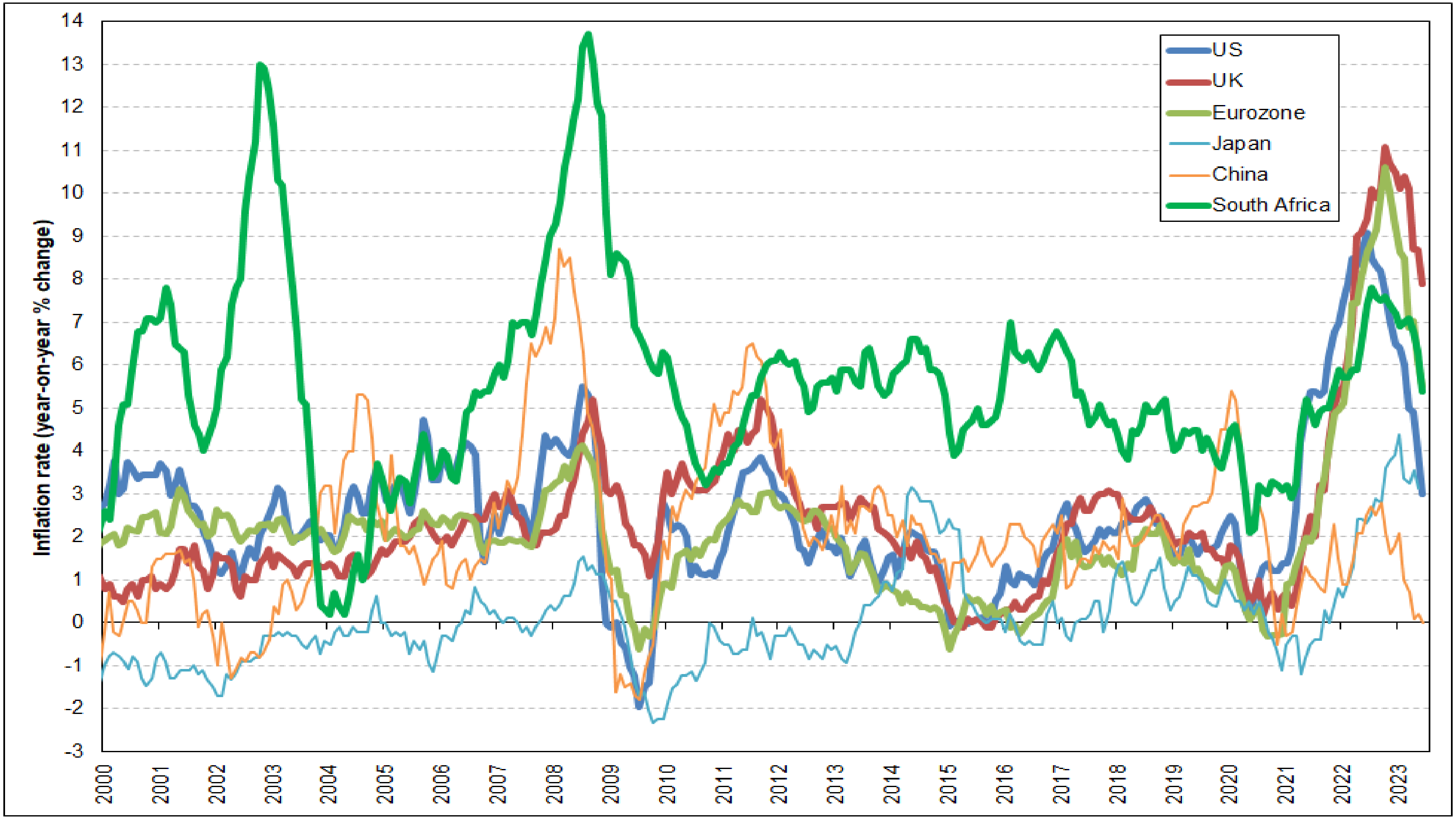
GLOBAL EQUITIES (2003 to 2023)

SA & US IN THE LEAD, UK DISAPPOINTS



Source: Iress

INFLATION
STILL DECLINING

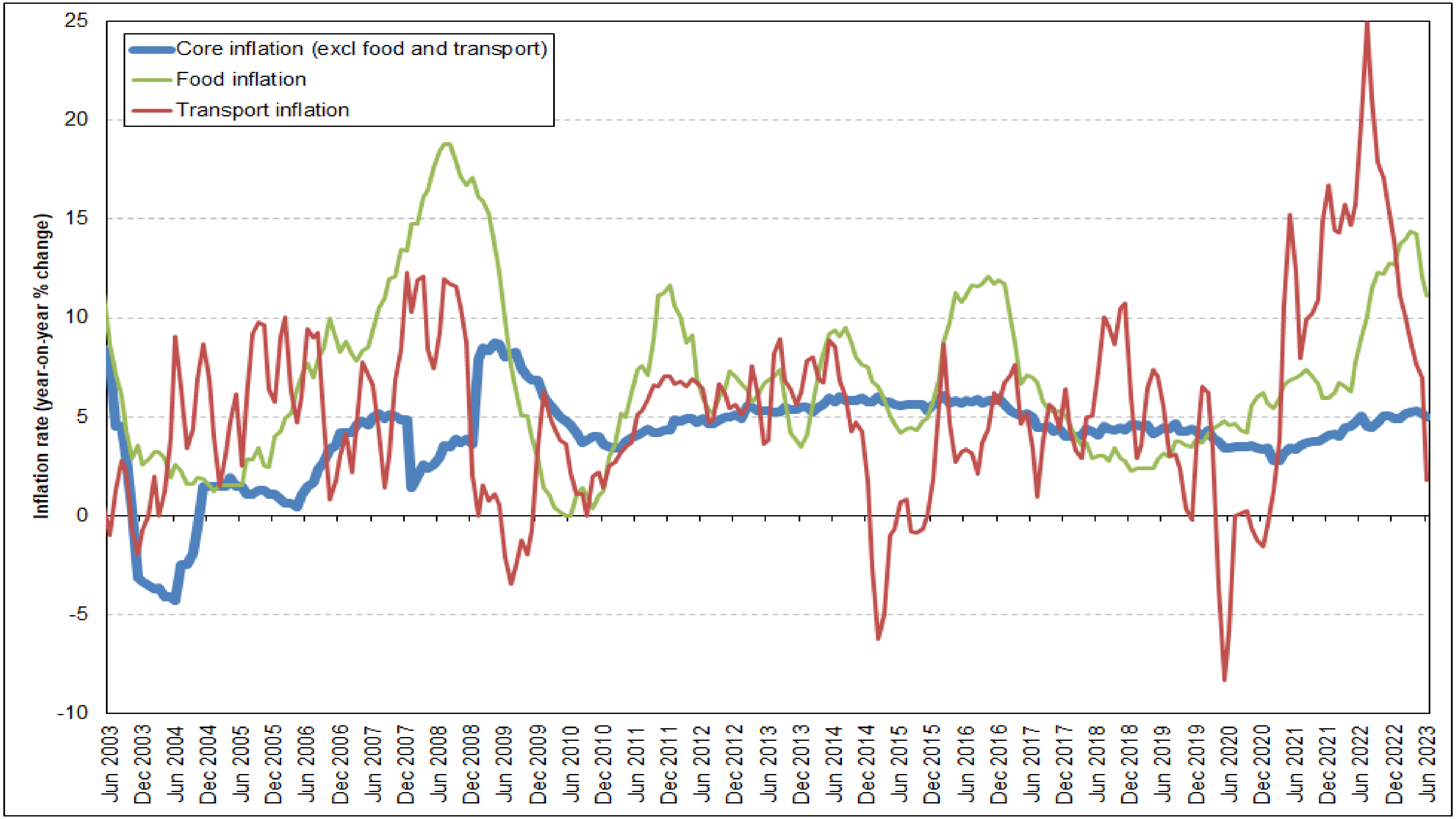


Source: Iress

Robson • Savage

INFLATION

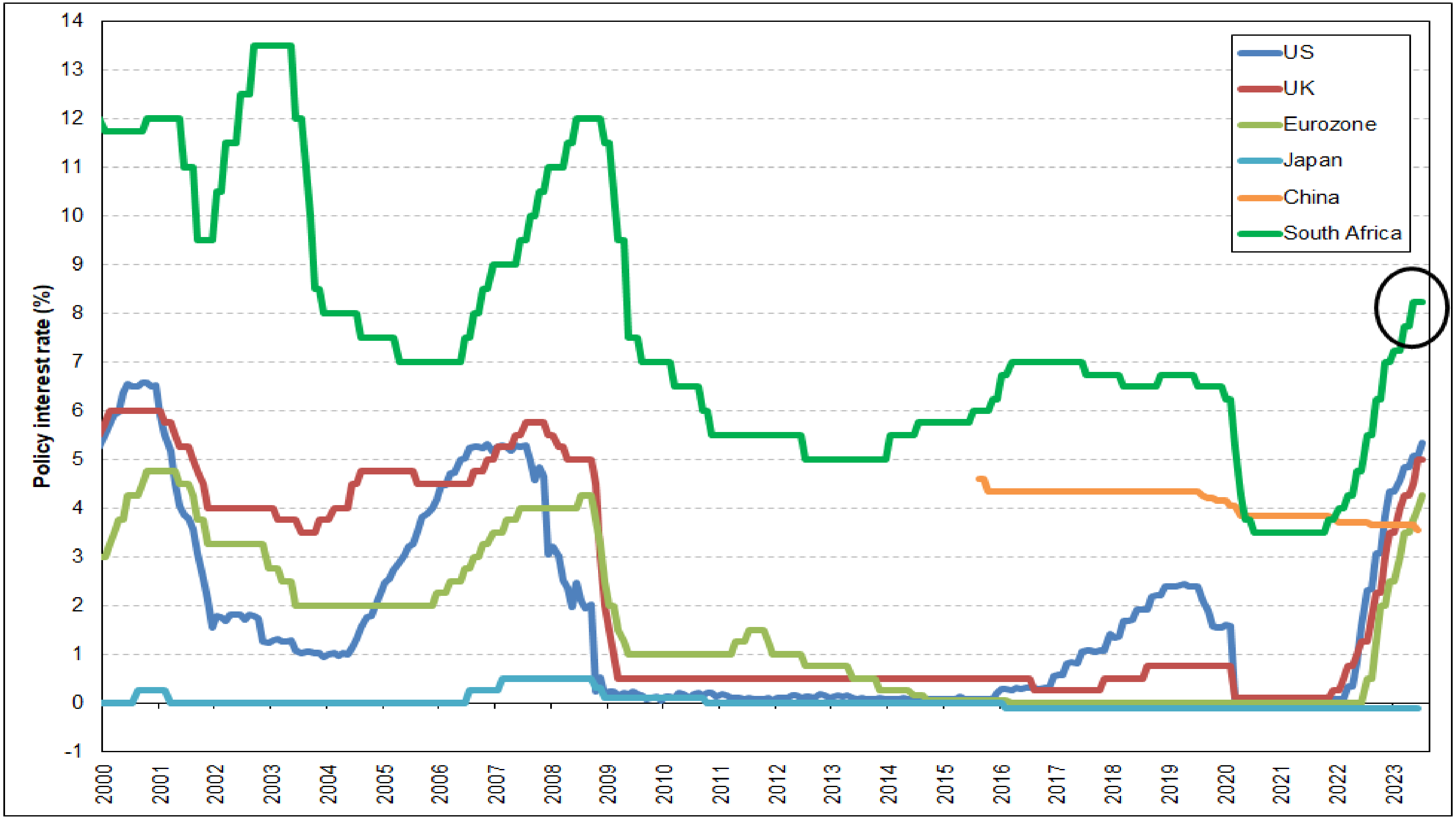
AS FOOD INFLATION TURNS THE CORNER AND TRANSPORT INFLATION PLUMMETS



Source: Iress

INTEREST RATES

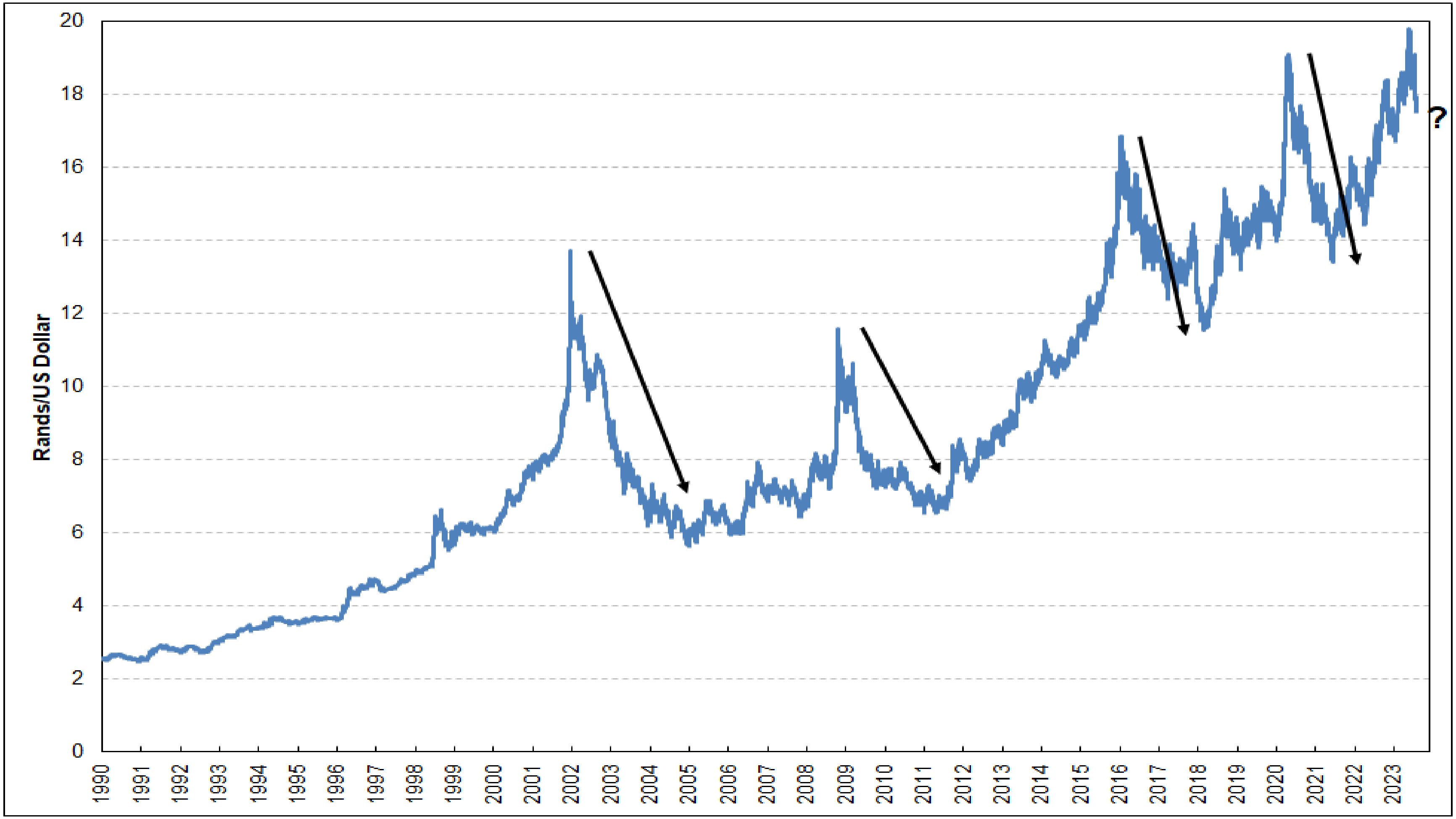
FINALLY, SOME RELIEF FROM THE SARB!



Source: Iress

Robson • Savage

ZAR/USD
IS HISTORY BUSY REPEATING ITSELF?



Source: Iress