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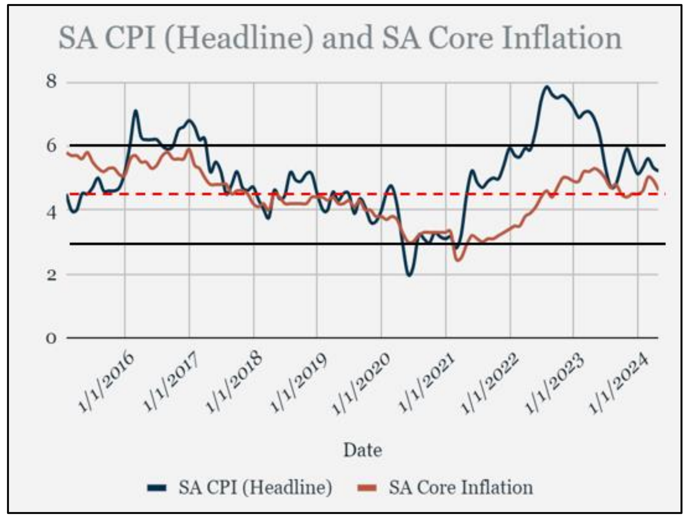
South African Market

The local equity market maintained its momentum from the previous two months, performing strongly up until mid-May before retreating ahead of the local elections. Despite the slowdown, the FTSE/JSE ALSI index ended the month up 0.96%. The Industrial sector rose by 1.69%, driven by strong performance of Rand-hedges, such as Naspers and Prosus. The resource sector also saw a slight increase, gaining 0.28%, primarily due to rising gold and platinum shares. Conversely, companies tied to the local economy, such as banks and retailers, faced declines during the month. This was largely attributed to the election results, which showed the ANC losing its majority and the country entering a period of uncertainty regarding coalitions.

Local Inflation (CPI) decreased for a second consecutive month to 5.2% YoY, down from 5.3% the previous month, but still remains above the central bank's preferred midpoint level of 4.5%. Inflation for food and non-alcoholic beverages moderated for a fifth month in May to 4.7%, from 5.1% the previous month. Meanwhile, transportation costs continue to rise with fuel prices increasing by 1.52%, for a fourth straight month and pushing the annual rate to 8.64% YoY. Core inflation, which excludes food and energy costs, dropped to 4.6% YoY from 4.9%, given the drop in services inflation to 4.6%, down from 5.0%.

SA inflation Rate:



Source: Trading Economics

The South African Reserve Bank's MPC kept interest rates steady at 8.25% at their latest meeting in May. This marks the sixth instance in the past year that the MPC has decided to leave rates at their current level. The latest reading further affirms the Reserve Bank's "higher for longer" narrative. The SARB still expects SA GDP growth to come in at 1.2% for the year, with governor Lesetja Kganyago, citing reduced load shedding during the past few months. He further mentioned that their forecasts show a modest acceleration in growth over the next few years, but that uncertainty is 'unusually elevated' at the moment.

Asset Class Performance (ZAR):

As of 31st May 2024	MTD	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global Equity	4.07	11.66	17.34	16.55	17.72	15.16
Global Property	4.08	(1.39)	2.68	6.85	5.92	9.58
Global Bond	0.92	(1.51)	(5.94)	3.39	2.68	4.83
Global Cash	0.43	5.34	0.39	14.70	7.68	7.67
SA Equity	0.96	1.60	6.27	8.60	10.71	8.04
SA Property	0.16	3.40	20.25	10.74	0.17	2.99
SA Bond	0.75	0.30	13.03	6.19	7.21	7.76
SA Cash	0.67	3.34	8.21	6.06	5.60	6.01

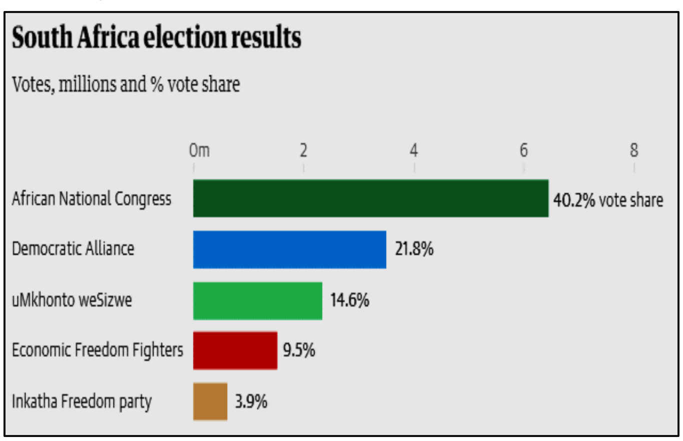
ZAR/USD (negative = Rand strength)	0.15	2.95	(4.74)	11.08	5.24	5.95
Gold	0.85	13.23	6.01	14.58	14.39	10.13
Brent Crude Oil	(7.72)	8.39	6.06	17.10	10.22	2.78

*Returns more than 1 year are annualized.

The Rand was fairly volatile during May, as was broadly expected due to the elections at the end of May. The Rand followed a similar trend as local equities, strengthening during the first half of the month to just over R18/USD (the best level since August of 2023), however during the second half of the month the currency gave up these advances as the elections neared, ending the month at R18.81/USD losing (0.15%). Year over year however, the currency is placed as one of the top emerging market currencies, gaining back some ground against the Dollar, increasing 4.74%, from the historic high exchange rate experienced during May 2023. The considerable uncertainty surrounding the ongoing negotiations among political parties has been creating a downward pressure on the Rand. However, financial markets and the Rand would likely respond more favourably to the formation of either an ANC/DA or ANC/MPC (Multi-Party coalition) government.

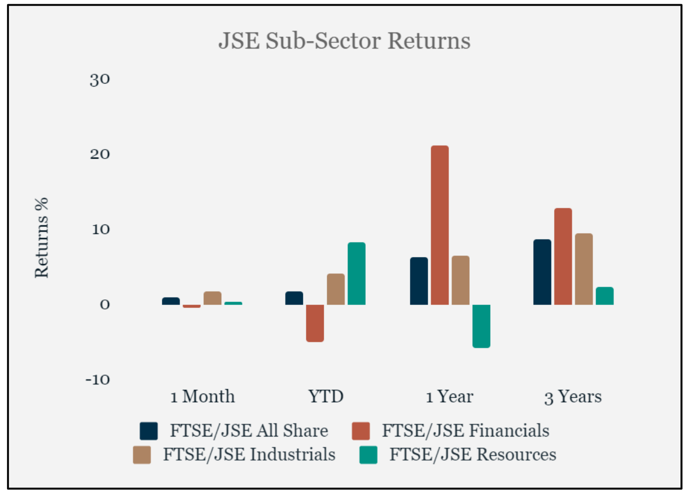
Local bonds, had a strong start to month, gaining 2.48% up until a few days before the election, before a pullback saw the ALBI retreating, but still ending the month up 0.75%. The ALBI has now recovered out of negative territory and is up 0.30% YTD. South African yields echoed the rest of the local market's sentiment, with the SA 10-year government bond yield edging slightly higher to end the month at 12.04%, up from 11.97% the previous month. The higher local yields also increased the SA-US 10-year spread to 6.19%, up from 5.96%.

South African Election Results:



Source: IEC

JSE Sub-Sector Returns:



Source: Morningstar (Returns more than 1 year are annualized)

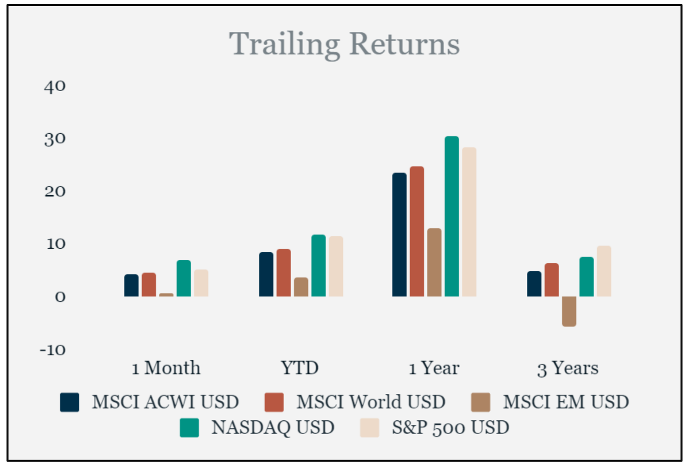
The final results of the South African elections that happened on the 29th of May, were released in early June. Despite expectations that the ANC's national vote share would dip below 50%, the final outcome was even more surprising, with the party only securing 40% of the national vote. This marked a significant decline from their 57% share in the 2019 election. Additionally, the ANC lost its majority in KwaZulu-Natal, Gauteng, and the Northern Cape, necessitating coalition partnerships both nationally and in these three provincial legislatures. The MKP emerged as a major victor, securing 14.6% in its inaugural election and claiming third place behind the DA, which saw a slight increase in support to 21.7%. The unexpected downturn for the ANC prompted an immediate negative market reaction, fueled by concerns that the party might form a coalition with the EFF to surpass the 50% threshold, a move viewed as highly unfavourable to markets due to the extreme left-wing nature of the EFF. Coalition talks are still underway, and as such there still remains volatility in the market, but consensus seems to be either a positive outcome, where a coalition between the ANC and the DA and others emerges, or there will be a leftist/ populist coalition of the ANC and either the EFF or MKP, which will be seen as a negative outcome for markets and the local economy.

Global Markets

Global equity markets recovered in May after a negative month in April, posting one of their strongest performances for 2024. Investors continued to anticipate interest rate cuts, albeit with US cuts likely to come later than in some other regions. The MSCI ACWI rose 4.12% during the month, but the rally was highly concentrated to the technology and communications sectors. As the Q1 earnings are starting to draw to a close, the predictable winners were once again the US mega-cap tech stocks. Nvidia was the clear winner as their earnings beat expectations once again. Nvidia shares have now risen 127% since the start of the year. Developed markets had an even stronger month, returning 4.54%, while Emerging Market equity returns rose 0.59% in USD terms lagging developed market peers.

The inflation rate in the US eased slightly with consumer prices rising 3.4% YoY, down from 3.5% the previous month. However, the inflation rate still remains above policymakers' long-term target of 2% YoY. Food prices remained steady for a third consecutive month at 2.2%. The core inflation rate, which excludes prices for food and energy, eased to a three-year low of 3.6% down from 3.8%. Shelter prices, which is the largest category within services, declined to 5.5% from 5.7% the previous month. The robust housing costs are seen as a key measure as to why prices have remained elevated for extended periods.

Global Indices Trailing Returns:



Source: Morningstar (Returns more than 1 year are annualized)

The Federal Reserve kept the target range for the federal funds rate unchanged for a sixth time at 5.25%-5.50% during its May meeting. Policymakers have mentioned that they will need more evidence that inflation is on a sustainable path back to their 2% goal before agreeing to lower rates as powerful demand fueled by fiscal and monetary policy stimulus has kept price pressures elevated. The Federal Open Market Committee will have another meeting during June, with expectations seeing a further hold in rate hikes. The US Fed is still expected to cut interest rates between one and three times in 2024. That's potentially due to inflation trending closer to the Fed's 2% goal, or because the job market softens further.

Asset Class Performance (USD):

As of 31st May 2024	MTD	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global Equity	4.12	8.46	23.51	4.88	11.82	8.72
Global Property	4.13	(4.21)	8.07	(3.85)	0.61	3.45
Global Bond	0.96	(4.34)	(1.00)	(6.96)	(2.47)	(1.03)
Global Cash	0.47	2.32	5.66	3.22	2.28	1.64
SA Equity	1.00	(1.31)	11.86	(2.28)	5.16	2.00
SA Property	0.20	0.43	26.57	(0.35)	(4.85)	(2.78)
SA Bond	0.80	(2.58)	18.96	(4.44)	1.83	1.73
SA Cash	0.72	0.37	13.89	(4.56)	0.30	0.08

ZAR/USD (negative = Dollar strength)	(0.15)	(2.87)	4.97	(9.98)	(4.98)	(5.61)
Gold	0.89	9.99	11.58	3.11	8.65	3.96
Brent Crude Oil	(7.68)	5.28	11.63	5.38	4.69	(2.97)

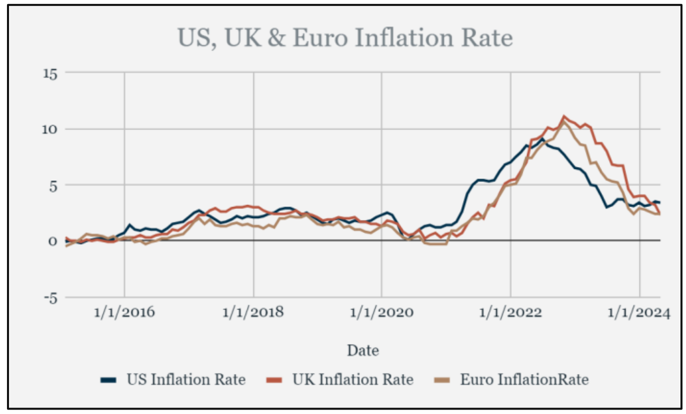
*Returns more than 1 year are annualized.

Inflation in the UK fell for a third straight month to 2.3%, down from 3.2% the month before. The latest inflation print marked the first-time inflation has been below 3% since July 2021 and came within touching distance of the Bank of England's 2% target. Services inflation (a key measure watched by the BOE) eased only slightly to 5.9% from 6%, which missed the forecast of a drop to 5.5%. Core inflation, which excludes prices for food and energy, dropped to 3.9%, from 4.2% the previous month. The BoE maintained its key bank rate at 5.25% at their latest meeting in May. Having suffered a mild recession over the second half of 2023, it was confirmed the UK economy rebounded strongly in the first quarter of 2024, recording GDP growth of 0.6%.

In the foreign exchange markets, the US Dollar weakened for the first time this year against all G10 currencies, marking a (1.7%) drop on a month-to-month basis. Anticipation of Federal Reserve rate cuts by year-end, possibly even in September, is contributing to the Dollar's diminished strength. Sluggish US economic data and robust economic indicators from the Eurozone have compounded the pressure on the Dollar. Additionally, the Federal Reserve's stance against further rate hikes have curtailed the Dollar's appreciation.

Concerns of potential overheating in the US labour market have started to alleviate, as recent data from the US Bureau of Labor Statistics indicated a decline in job openings to a three-year low and voluntary job departures nearing a four-year low. As of May, there were approximately 1.2 available jobs for every job seeker, marking the lowest ratio since June 2021, according to BLS data. Additionally, US manufacturing activity experienced a slowdown for the second consecutive month in May, with new goods orders declining by the most in nearly two years, resulting in a reading of 45.4. The ISM manufacturing purchasing managers index (PMI) dropped to 48.7 from 49.2, signifying another contraction in manufacturing activity as demand continues to wane. The softer tone of the data has begun to bolster the case among investors for the US Fed to start lowering interest rates. Following the ISM data release, interest rate futures indicated approximately a 60% probability of the Fed reducing its benchmark rate in September.

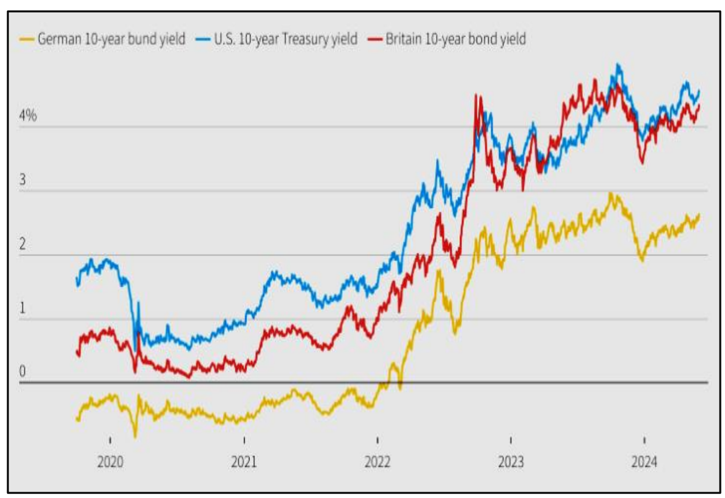
US/UK/Euro Inflation Rate:



Source: Trading Economics

Global bonds started to rally in May, rebounding from the April selloff, following indications that developed markets are starting to manage inflation more effectively. May proved to be the strongest month of the year for global bonds, returning 0.96%, although they remain down (4.34%) year-to-date. US Treasury yields retreated from their year-to-date peaks, with the 10-year borrowing rate dropping by 17 basis points to 4.5% in May. Meanwhile, in the UK, the 10-year Gilt yield concluded the month at 4.31%, down 5 basis points from the previous month.

Global Bond Yields:



Source: LSEG

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Historic Asset Class Performance Matrix

The below performance matrix shows returns (colour coded) for the 4 main indicative sources of return per asset class and separated for South Africa and Global. **All performance figures here shown in ZAR.** The performances show the one-year performance of each asset class up to the displayed date (X-axis) except for the column showing YTD returns up to 31st May 2024.

	YTD	5/2024	5/2023	5/2022	5/2021	5/2020	5/2019	5/2018	5/2017	5/2016	5/2015	5/2014	5/2013
Best	Global Equity 11.7	SA Property 20.3	Global Cash 32.0	SA Property 15.5	SA Equity 38.1	Global Fixed Income 27.5	Global Property 26.3	SA Fixed Income 10.4	SA Fixed Income 13.4	Global Property 40.5	SA Property 31.7	Global Equity 24.0	Global Equity 49.2
	Global Cash 5.3	Global Equity 17.3	Global Equity 28.0	Global Cash 13.9	SA Property 37.3	Global Equity 26.9	Global Cash 17.7	Global Equity 8.6	SA Cash 7.0	Global Fixed Income 38.3	Global Property 22.6	SA Equity 21.8	Global Property 41.8
	SA Property 3.4	SA Fixed Income 13.0	Global Fixed Income 20.1	SA Equity 11.0	Global Equity 12.5	Global Cash 23.1	Global Fixed Income 17.6	SA Equity 8.0	SA Property 3.7	Global Cash 29.7	Global Equity 21.6	Global Property 17.1	SA Equity 30.7
	SA Cash 3.3	SA Cash 8.2	SA Equity 8.5	Global Property 10.2	SA Fixed Income 11.1	SA Fixed Income 6.4	Global Equity 12.7	SA Cash 6.8	SA Equity 2.2	Global Equity 23.1	Global Cash 15.2	Global Fixed Income 10.7	SA Property 27.0
	SA Equity 1.6	SA Equity 6.3	Global Property 7.8	SA Fixed Income 5.6	Global Property 7.3	SA Cash 6.3	SA Fixed Income 7.7	Global Property 0.9	Global Equity -1.0	SA Property 9.4	SA Fixed Income 9.4	SA Property 7.0	Global Cash 17.8
	SA Fixed Income 0.3	Global Property 2.7	SA Cash 6.3	Global Equity 5.4	SA Cash 3.6	Global Property 1.8	SA Cash 6.6	Global Fixed Income -1.8	Global Property -14.6	SA Equity 6.3	SA Equity 8.5	Global Cash 5.4	Global Fixed Income 13.2
	Global Property -1.4	Global Cash 0.4	SA Fixed Income 0.3	SA Cash 3.7	Global Fixed Income -19.0	SA Equity -6.0	SA Equity 2.4	Global Cash -2.5	Global Cash -15.6	SA Cash 6.2	SA Cash 5.6	SA Cash 5.0	SA Fixed Income 11.5
Worst	Global Fixed Income -1.5	Global Fixed Income -5.9	SA Property -2.3	Global Fixed Income -2.2	Global Cash -22.1	SA Property -45.9	SA Property -4.8	SA Property -6.5	Global Fixed Income -16.4	SA Fixed Income 1.0	Global Fixed Income 5.3	SA Fixed Income 2.8	SA Cash 4.9

Source: Morningstar Direct