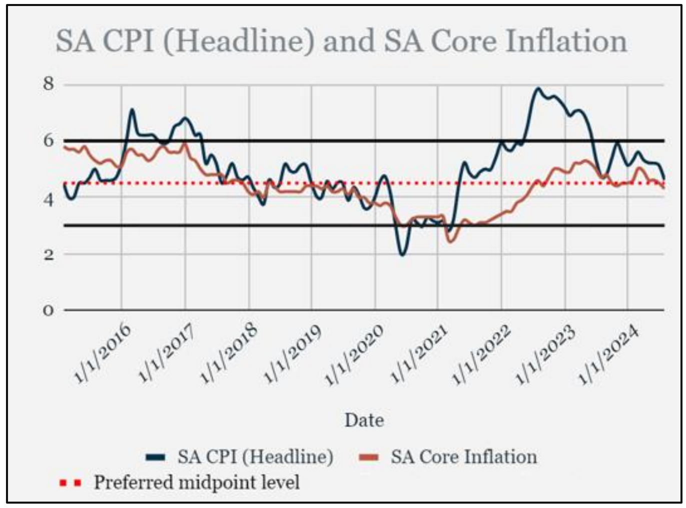
South African Market

The local equity market continued its upward trend in August, building on the momentum gained since the elections. The FTSE/JSE ALSI outperformed most emerging market indices, rising by 1.38%. It reached a significant milestone by briefly surpassing the 84,000 mark before closing just shy of this level. Domestic companies, particularly in the retail and banking sectors, demonstrated resilience, with the financial sector posting a 5.66% increase. However, the resource sector declined (9.69%), erasing its year-to-date gains. This decline was primarily due to weak platinum mining stock prices and earnings that fell short of expectations, despite the continued strength in gold prices.

Local inflation (CPI) continued its downward trend, marking the third straight month of decline. It reached 4.6% YoY, down from the previous month's 5.1%, hitting its lowest point since July 2021. This figure now sits comfortably at the midpoint of the South African Reserve Bank's 4% - 6% target range. Food and non-alcoholic beverage inflation saw a slight decrease, moving from 4.6% to 4.5%. Transport costs experienced a more significant drop, falling from 5.5% to 4.2%, with fuel prices contributing to this decline, decreasing by (2.86%). The core inflation rate, which excludes food and energy prices, also moderated, shifting from 4.5% to 4.3% YoY.

SA inflation Rate:



Source: Trading Economics

The SARB's MPC maintained the current interest rates at 8.25% in their meeting in July. The current disinflationary trend, according to analysts, will open the door for a potential rate cut by the South African Reserve Bank's monetary policy committee at its meeting on September 19. However Reserve Bank governor Lesetja Kganyago has recently commented that while the lower inflation rate was a welcome sign, what is needed to be seen is sustained low inflation, before any decisions will be made regarding rate cuts.

Asset Class Performance (ZAR):

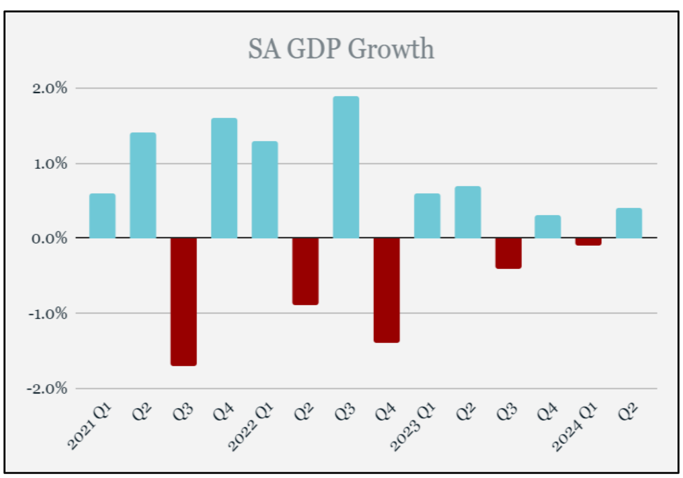
As of 31st August 2024	MTD	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global Equity	(0.10)	12.11	15.43	13.07	15.88	14.81
Global Property	4.11	6.06	11.55	5.09	5.59	9.95
Global Bond	0.15	(1.95)	(0.80)	1.52	0.88	4.71
Global Cash	(1.96)	0.72	(0.91)	11.01	5.70	7.13
SA Equity	1.38	11.41	16.08	12.03	12.82	8.70
SA Property	8.25	23.81	38.20	13.78	4.40	4.01
SA Bond	2.38	12.34	18.60	8.96	9.12	8.47
SA Cash	0.65	5.39	8.20	6.45	5.67	6.08
ZAR/USD (negative = Rand strength)	(2.12)	(2.61)	(5.74)	7.10	3.26	5.27
Gold	(0.24)	12.81	13.65	14.29	10.10	9.68
Brent Crude Oil	(2.95)	(0.98)	(15.18)	9.73	8.74	2.45

*Returns more than 1 year are annualized.

The Rand recovered strongly during August, despite a weak start that saw it down (1.7%) against the Dollar initially. By month-end, the Rand had gained 2.12%, closing at R17.82/USD. This also marked the Rand's best monthly performance in 2024 so far. The Rand's August rally was largely driven by a weakening US Dollar, as markets anticipated potential rate cuts by the Federal Reserve in September. Bullish global gold prices and the softening greenback provided additional tailwinds for the Rand. Looking ahead, South Africa's current favourable political landscape and increased export revenues are expected to further enhance investor confidence in the country.

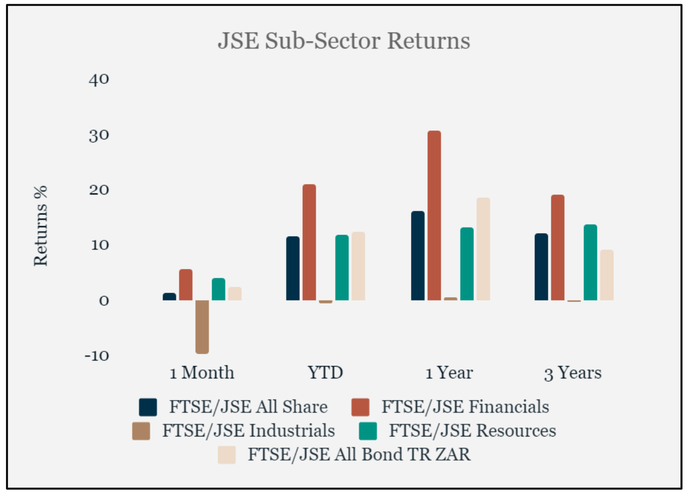
August proved to be another strong month for South African bonds, as optimism around the local economy persisted, particularly among international investors. The All-Bond Index (ALBI) outperformed the domestic stock market, posting a 2.38% gain for the month and bringing its year-to-date return to 12.34%. The yield on the benchmark 10-year government bond continued its downward trajectory, mirroring global bond yield trends, and closed the month at 10.48%, down from 10.74% in July. The longer end of the yield curve saw further flattening, with yields ranging between 11.20% and 11.30%. Notably, the yield spread between South African and US bonds also narrowed to 5.20%, reaching its lowest point since 2018.

South Africa GDP Growth:



Source: Refinitiv

JSE Sub-Sector Returns:



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

The second quarter of 2024 saw South Africa's economy grow by 0.4%, an improvement from the stagnant first quarter. A key factor in this growth was the absence of load-shedding, which positively impacted the electricity, gas, and water supply industry. This sector expanded by 3.1%, driven by increased electricity generation and water distribution, as reported by Stats SA. Another significant contributor to the GDP growth was the finance, real estate, and business services sector, which grew by 1.3% and added 0.3 percentage points to the overall economic expansion. Finance Minister Enoch Godongwana recently emphasized a strong commitment to fiscal restraint and consolidation. This stance has received unanimous approval from the Cabinet, alongside a macroeconomic strategy that prioritizes accelerating economic growth.

The Absa Purchasing Managers' Index (PMI) fell 8.8 points to 43.6 in August, bringing it back into negative territory below the neutral 50 mark. This is the fifth month out of eight so far in 2024 that it has been in the red. This was mostly attributed to weaker domestic sales and orders, while export sales also contracted, due to ongoing supply chain issues.

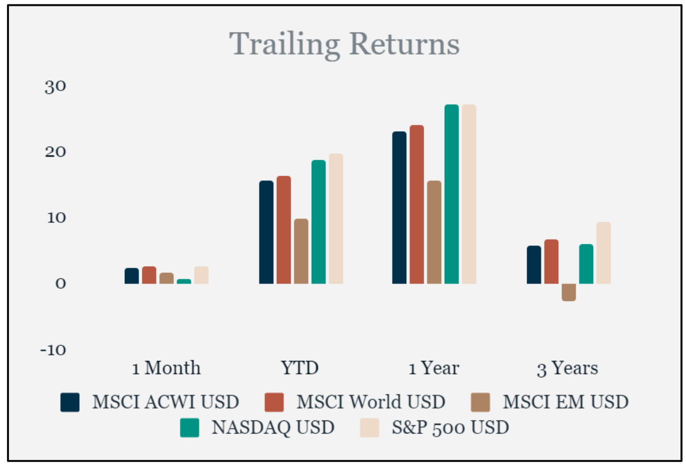
STAR INVESTMENT PARTNERS

Global Markets

August began with heightened volatility in global equity markets, triggered by a disappointing US jobs report that intensified recession concerns. Simultaneously, the Bank of Japan's decision to raise its policy rate by 25 basis points led to a sudden unwinding of carry trade positions. These factors initially caused a sharp selloff in global equities and a spike in the volatility index (VIX). However, this downturn proved short-lived, with the MSCI ACWI ultimately closing the month up 2.36%. Investor sentiment rebounded, buoyed by the prospect of lower interest rates and a robust Q2 earnings season that showed limited signs of further economic deceleration. Emerging market equities rose 1.65% in USD terms, as markets are starting to price in a potential US interest rate cut in September. Similarly, the MSCI World Index posted a 2.44% gain for the month.

The Inflation rate in the US eased for a fourth straight month to 2.9% YoY, down from 3.0% the previous month. The monthly inflation report was closely watched after signs of weaker-than-expected jobs growth in July sparked stock market turmoil and recession fears earlier this month. Food inflation remained steady at 2.2%, while gasoline prices also settled at 2.2%. Core inflation, which excludes food and energy costs, eased to 3.2%, down from 3.3% the previous month.

Global Indices Trailing Returns:



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

The Federal Reserve's July FOMC meeting resulted in a decision to keep the federal funds rate steady at 5.25% - 5.5%. Notably, the Fed signalled it is leaving the door open to start cutting rates in September and the July inflation data reinforced that notion. Fed Chair Jerome Powell indicated that the committee is no longer solely concentrated on inflation, citing progress made in this area. "We think we don't need to be 100% focused on inflation because of the progress that we've made.". Recent reports showing weaker job growth and producer prices, combined with the cooling inflation data, provide the Fed with increased assurance that inflation is moving towards their 2% target.

Asset Class Performance (USD):

As of 31st August 2024	MTD	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global Equity	2.36	15.47	23.10	5.61	12.31	9.08
Global Property	6.67	9.24	18.96	(1.85)	2.34	4.45
Global Bond	2.62	0.99	5.80	(5.18)	(2.23)	(0.52)
Global Cash	0.45	3.74	5.67	3.68	2.44	1.78
SA Equity	3.87	14.75	23.79	4.63	9.34	3.27
SA Property	10.91	27.52	47.39	6.27	1.18	(1.18)
SA Bond	4.89	15.71	26.49	1.77	5.76	3.05
SA Cash	3.12	8.55	15.39	(0.58)	2.42	0.78

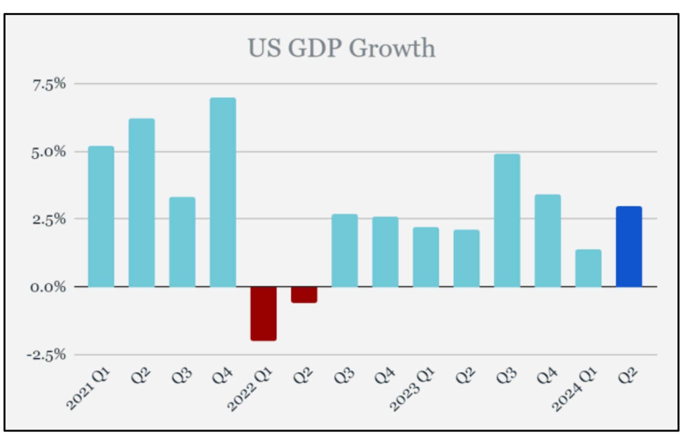
ZAR/USD (negative = Dollar strength)	2.17	2.68	6.09	(6.63)	(3.16)	(5.01)
Gold	2.21	16.19	21.20	6.75	6.71	4.20
Brent Crude Oil	(0.57)	1.99	(9.54)	2.49	5.39	(2.67)

*Returns more than 1 year are annualized.

The UK experienced its first uptick in inflation this year, with prices increasing by 2.2% YoY. This slight increase, which was largely anticipated, pushed inflation above the Bank of England's 2% target, a level it had maintained since June. The primary driver of this rise was a smaller decrease in gas and electricity prices compared to the previous month. Service sector inflation, a key metric for the Bank's monetary policy decisions, decreased from 5.7% to 5.2%. Additionally, core inflation, which excludes food and energy prices, dropped to 3.3% from 3.5% in the prior month. The Bank of England had recently reduced its interest rate by 25 basis points in early August. However, the persistence of inflation has dampened expectations for a further rate cut in September. This comes amidst a backdrop of steady economic growth, with the UK economy expanding by 0.6% in the second quarter, aligning with economists' predictions and following a 0.7% growth in the first quarter.

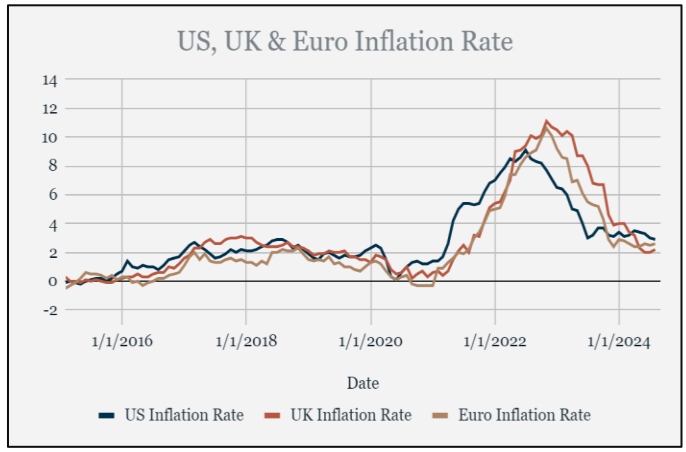
The US Dollar experienced a continued decline in the forex markets, dropping for the second consecutive month to its lowest point this year. By month-end, it had depreciated by (2.31%) against a basket of major currencies. This weakening trend is primarily attributed to anticipations of an interest rate reduction in the US, which have been putting downward pressure on the Dollar since the beginning of the month. Investors see a rate cut at the Federal Reserve's September meeting as almost all but certain. The current discussion among investors has shifted from whether a cut will occur to its potential magnitude, with speculation centred on whether the Fed will implement a more aggressive 50 bps reduction instead of the standard 25 bps.

US GDP Growth:



Source: Bloomberg Financial

US/UK/Euro Inflation Rate:



Source: Trading Economics

Amid equity market fluctuations, the global bond market continued to perform well after a strong performance in July. The global bond index gained 2.62% in August, mostly boosted by bets that the Federal Reserve will cut rates around 100 basis points across its three remaining meetings this year. The global bond index has also now moved back into positive territory for the year, up 0.99% YTD. Benchmark 10-year US Treasury yields ended August down 20 bps, to end the month at 3.91% the biggest monthly drop this year, driven by expectations for speedier rate cuts.

Recent economic data reveals the US economy's stronger-than-anticipated performance in the second quarter, driven by robust consumer spending and a rebound in corporate profits. The annualized GDP growth rate for the quarter was revised upward to 3% from an earlier estimate of 2.8%. Consumer expenditure, which constitutes over two-thirds of economic activity, saw a significant upward revision to 2.9% from the previously reported 2.3%. This surge in consumer activity indicates growing economic confidence and may signal continued expansion in upcoming quarters. The state of the economy is particularly significant given its potential impact on voter sentiment ahead of the November presidential election. In the manufacturing sector, while contraction persisted in August, it showed signs of easing. The ISM Manufacturing PMI inched up to 47.2 from July's 46.8, though falling slightly short of the market's expected 47.5. This data suggests a gradual improvement in business activity, albeit still below the expansion threshold.

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 August 2024.

	YTD	8/2024	8/2023	8/2022	8/2021	8/2020	8/2019	8/2018	8/2017	8/2016	8/2015	8/2014	8/2013
Best	SA Property 23.8	SA Property 38.2	Global Equity 26.4	Global Cash 18.7	SA Property 51.0	Global Equity 29.4	Global Property 13.6	Global Equity 26.6	SA Fixed Income 10.2	Global Property 35.1	SA Property 27.5	Global Property 28.8	Global Equity 42.0
	SA Fixed Income 12.3	SA Fixed Income 18.6	Global Cash 16.3	SA Equity 4.6	SA Equity 25.2	Global Fixed Income 16.9	Global Fixed Income 11.7	Global Property 20.8	SA Equity 10.2	Global Fixed Income 22.7	Global Cash 24.9	Global Equity 26.3	Global Property 24.1
	Global Equity 12.1	SA Equity 16.1	SA Equity 15.8	SA Cash 4.1	Global Property 16.3	Global Cash 12.8	SA Fixed Income 11.2	Global Cash 14.7	SA Property 9.4	Global Equity 19.8	Global Property 21.8	SA Equity 24.5	SA Equity 22.8
	SA Equity 11.4	Global Equity 15.4	SA Property 10.3	SA Fixed Income 1.5	SA Fixed Income 14.8	SA Cash 5.5	SA Cash 6.6	Global Fixed Income 11.0	SA Cash 7.0	Global Cash 11.4	Global Equity 17.7	SA Property 20.2	Global Cash 21.8
	Global Property 6.1	Global Property 11.5	Global Fixed Income 9.9	Global Equity -0.9	Global Equity 11.7	SA Fixed Income 4.2	Global Cash 6.2	SA Fixed Income 8.0	Global Equity 4.0	SA Equity 8.6	Global Fixed Income 14.2	SA Fixed Income 11.7	Global Fixed Income 14.9
	SA Cash 5.4	SA Cash 8.2	SA Fixed Income 7.5	Global Property -1.8	SA Cash 3.5	SA Equity 3.9	Global Equity 2.6	SA Equity 6.9	Global Cash -10.9	SA Cash 6.5	SA Cash 5.7	Global Fixed Income 9.4	SA Cash 4.8
	Global Cash 0.7	Global Fixed Income -0.8	SA Cash 7.1	SA Property -3.4	Global Cash -14.5	Global Property -2.8	SA Equity -2.6	SA Cash 6.6	Global Fixed Income -12.8	SA Fixed Income 4.5	SA Fixed Income 5.4	SA Cash 5.1	SA Fixed Income 0.1
Worst	Global Fixed Income -1.9	Global Cash -0.9	Global Property 5.9	Global Fixed Income -4.1	Global Fixed Income -14.6	SA Property -44.3	SA Property -5.5	SA Property -12.4	Global Property -12.9	SA Property 3.5	SA Equity 1.1	Global Cash 4.0	SA Property 0.0

Source: Morningstar Direct