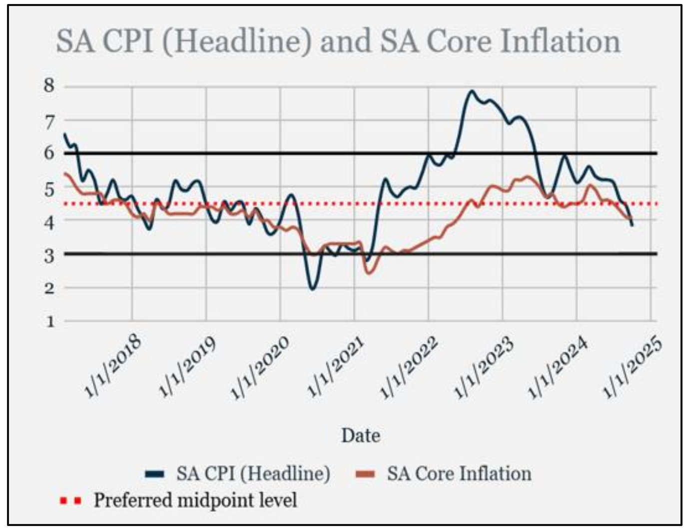
South African Market

Following seven straight months of gains, the local equity market faced pressure and closed the month in negative territory, mirroring the decline in global equities. The FTSE/JSE ALSI ended the month down (0.92%), though it remains up 14.85% year-to-date. Despite the recent pullback, South African equities still outperformed their emerging market counterparts. A spike in commodity prices, particularly for gold and platinum group metals, propelled the resource sector forward with a 2.54% increase. Conversely, the Industrial and Financial sectors delivered relatively muted performance in October, weighing on overall market returns, with declines of (2.98%) and (0.73%) respectively.

Local inflation (CPI) continued its decline, falling more than anticipated to its lowest level since March 2021. The annual headline inflation rate dropped to 3.8%, down from 4.4% the prior month, landing close to the lower end of the South African Reserve Bank's 3%-6% target range. Softer transport inflation was the primary driver behind the decrease in the headline rate. Transport inflation entered deflationary territory for the first time in 13 months, falling from 2.8% to (1.1%). Fuel prices also declined further and is now 9.0% lower on average compared to a year ago, mainly due to cooling global oil prices and the Rand's recent gains versus the US Dollar. Core inflation, which excludes volatile food and energy costs, remained unchanged at 4.1% year-over-year.

SA inflation Rate:



Source: Trading Economics

The South African Reserve Bank's Monetary Policy Committee (MPC) implemented its first interest rate cut during their September meeting, lowering the lending rate by 25 basis points from 8.25% to 8%. In their bi-annual monetary policy review published during the month, the SARB affirmed that pricing in financial markets signals an additional 25-basis point reduction at their November meeting. While South Africa's economy remains susceptible to external pressures, the monthly inflation data suggests a stabilization in consumer prices, and the majority of economists anticipate the drop in inflation will prompt the SARB's MPC to cut rates at their final monetary policy meeting of the year.

Asset Class Performance (ZAR):

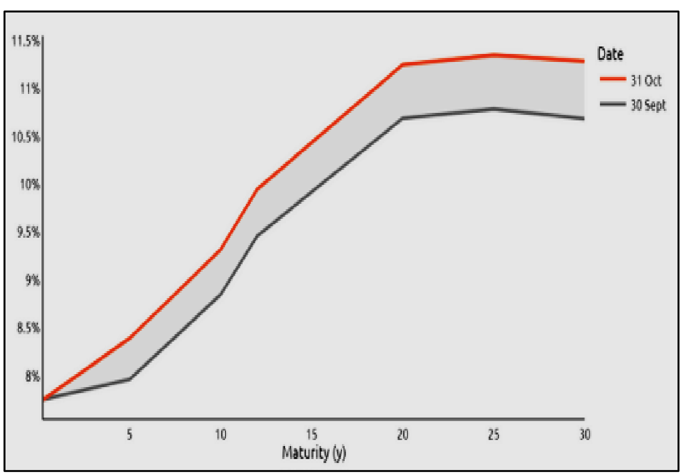
As of 31st October 2024	MTD	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global Equity	0.24	11.62	25.31	10.78	14.84	14.65
Global Property	(2.42)	3.70	23.41	2.59	4.25	9.24
Global Bond	(1.21)	(4.32)	1.92	(0.15)	0.70	4.45
Global Cash	(2.53)	(1.81)	(3.35)	8.64	5.16	6.21
SA Equity	(0.92)	14.85	27.16	12.48	12.76	9.20
SA Property	(2.84)	26.35	51.56	15.51	4.37	3.31
SA Bond	(2.20)	14.11	21.29	10.49	9.43	8.45
SA Cash	0.66	6.80	8.21	6.71	5.72	6.12
ZAR/USD (negative = Rand strength)	2.36	(3.41)	(5.69)	5.08	3.26	4.81
Gold	6.07	22.18	22.56	16.18	12.26	11.19
Brent Crude Oil	3.95	(9.40)	(22.10)	(0.16)	7.07	3.14

*Returns more than 1 year are annualized.

October saw the Rand retreat against the US Dollar, halting a three-month streak of gains. The South African currency closed the month down (2.36%) versus the greenback, ending the month at R17.67/USD, though it remained relatively strong compared to pre-election levels when it traded above R18/USD. After the surge in September, the pullback in foreign purchases of portfolio assets in October, in response to Fed Chair Powell's indication of a gradual rate cut cycle in the US, negatively impacted the local currency. Despite the recent decline against the Dollar, the Rand is still one of the better performing emerging market currencies, up 3.53% year-to-date against the Dollar, second only to the Malaysian Ringgit.

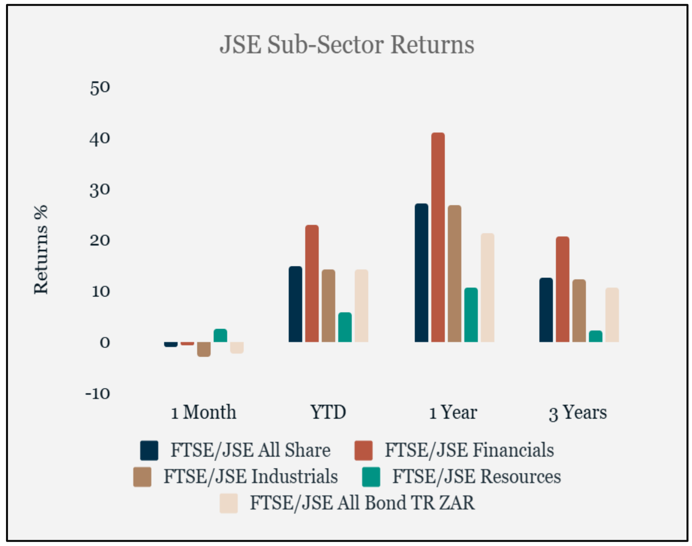
The SA All Bond Index (ALBI) closed the month lower, declining (2.20%), as South African nominal bond yields moved higher. Yields reached their highest level since late July as investors remained focused on the South African Reserve Bank's (SARB) future policy moves. Additionally, expectations that the US Federal Reserve will adopt a more moderate approach to rate cuts this year persisted, influencing sentiment in the South African bond market. Despite the prospect of lower central bank rates, the yield on the benchmark 10-year government bonds increased to 10.6%, up from 9.95% the prior month. The yield spread between South African and US bonds remained relatively flat, ending the month at 5.03%.

South Africa Yield Curve:



Source: Refinitiv

JSE Sub-Sector Returns:



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

Minister of Finance Enoch Godongwana delivered the Medium-Term Budget Policy Statement (MTBPS) during the month. The 2024 MTBPS was presented amid a moderately improved economic outlook and the establishment of the Government of National Unity (GNU), which has pledged its commitment to prudent fiscal policy aimed at stabilizing debt. Economic growth forecasts have been scaled down to 1.1% for 2024 and 1.7% for the 2025-2027 period. The National Treasury is banking on infrastructure-driven growth alongside potential boosts from declining inflation, anticipated monetary easing, and rising commodity prices to help bolster the economy over the coming year.

The in-year revenue outlook was weaker than expected due to declining fuel levy and import VAT collections. Despite this, the government remains on track to achieve a primary surplus in 2024/25 and over the medium term. Godongwana stated this will involve a range of interventions, such as maintaining large primary surpluses to stabilize debt, ensuring higher levels of capital investment, containing public service wage costs, and limiting bailouts for state-owned enterprises.

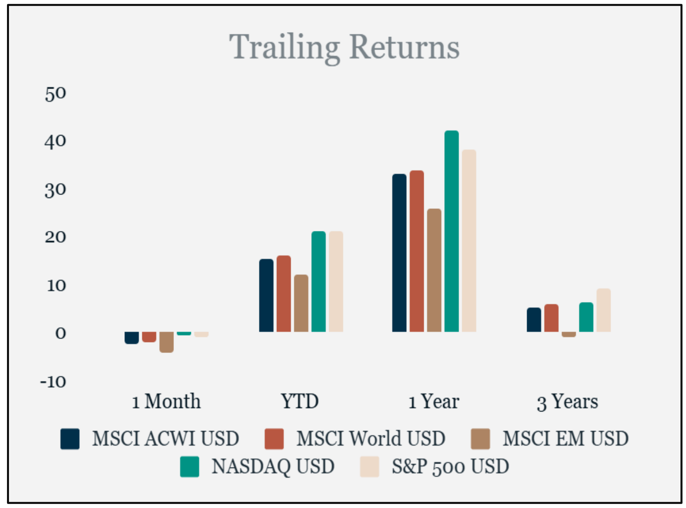
STAR INVESTMENT PARTNERS

Global Markets

After five consecutive months of upward momentum in global markets, equities ended lower in October, marking only their second negative month of the year. This decline was primarily driven by uncertainty ahead of the US presidential election and ongoing doubts about the future path of interest rates. The MSCI ACWI closed the month down (2.29%), with the tech sector leading the way down after some mega-cap tech companies failed to deliver on high earnings guidance expectations. Chinese equities also experienced sharp declines during the month, as stimulus measures implemented by the Chinese government to boost the country's flagging economy failed to bolster investor sentiment, resulting in a broad sell-off in emerging markets, which ended October down (4.32%) in Dollar terms. Developed market peers similarly dropped (2.05%) by the end of the month.

The inflation rate in the US continued its downward trend for a sixth consecutive month, reaching 2.4% YoY a decrease from 2.5% in the previous month. This marks continued progress toward the Federal Reserve's (Fed) 2% target. Broad declines in energy and gasoline prices contributed to a lower headline annualized inflation reading, while shelter and food prices drove over 75% of the monthly increase. Core inflation, which excludes volatile food and energy prices, increased slightly to 3.3% YoY, from 3.2% the previous month.

Global Indices Trailing Returns:



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

Despite the slight decline in headline inflation, the reacceleration in core inflation indicates that inflationary pressure hasn't fully dissipated yet. However, Fed officials have become more confident that inflation is easing back toward their 2% target, and the focus has largely shifted to the labor market in recent months. Going forward, the pace of rate cuts is expected to be determined by developments in the job market. After a half-percentage point reduction in September, the central bank is anticipated to continue cutting rates at their next two meetings for the year.

Asset Class Performance (USD):

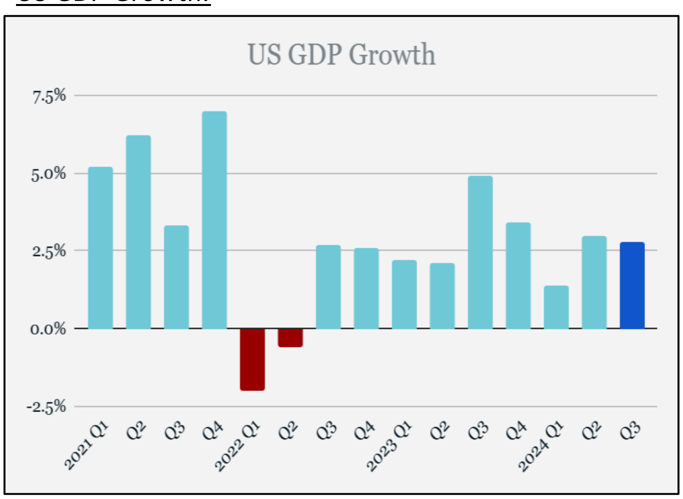
As of 31st October 2024	MTD	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global Equity	(2.29)	15.45	32.87	5.34	11.22	9.38
Global Property	(4.89)	7.26	30.86	(2.45)	0.96	4.22
Global Bond	(3.71)	(1.04)	8.07	(5.05)	(2.47)	(0.35)
Global Cash	0.43	4.20	5.66	3.83	2.50	1.82
SA Equity	(3.43)	18.79	34.84	6.95	9.21	4.19
SA Property	(5.30)	30.69	60.71	9.84	1.08	(1.43)
SA Bond	(4.68)	18.03	28.61	5.06	5.98	3.47
SA Cash	(1.89)	10.47	14.74	1.47	2.39	1.24
ZAR/USD (negative = Dollar strength)	(2.30)	3.53	6.03	(4.84)	(3.15)	(4.59)
Gold	3.38	26.38	29.96	10.48	8.72	6.08
Brent Crude Oil	1.32	(6.28)	(17.40)	(5.06)	3.69	(1.60)

*Returns more than 1 year are annualized.

UK inflation has dropped to its lowest level in three and a half years, and also marking the first time inflation has fallen below the central bank's 2% target since April 2021. The headline inflation rate rose 1.7% , significantly below the prior reading of 2.2%. The easing trend was driven by lower petrol prices and reduced services costs. Core inflation, which excludes energy and food prices, also decelerated to 3.2% from 3.6% the previous month. Services inflation - considered by the Bank of England as the key indicator of domestically generated price pressure - fell to its lowest level since May 2022 at 4.9%, down from 5.6%. UK's new Chancellor of the Exchequer, Rachel Reeves, unveiled the largest tax increase in over three decades during her inaugural budget speech, citing the necessity of substantial spending to restore the UK's public services.

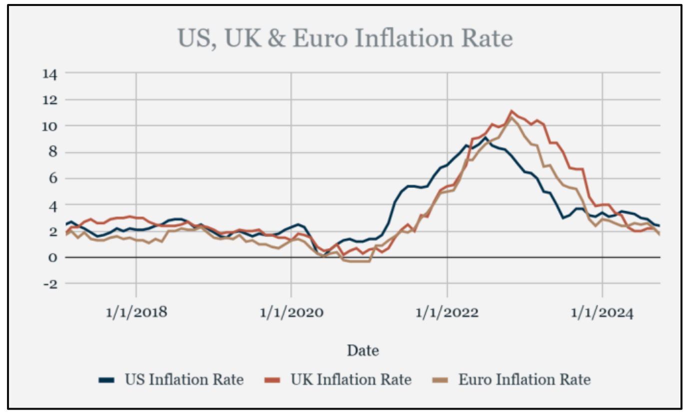
The US Dollar demonstrated renewed strength in foreign exchange markets, staging a sharp recovery after three consecutive months of decline. The currency advanced 3.23% against a basket of major currencies by month-end as market expectations for another significant Federal Reserve interest rate cut diminished. The Dollar's value also increased throughout October as polling indicated a higher likelihood of a Donald Trump electoral victory. Investors anticipate that Republican policies, particularly the proposed implementation of import tariffs, could drive up inflation. Meanwhile, the commodities sector maintained its broad strength, with gold reaching another record high in US Dollar terms, up 26.38% year-to-date, propelled by both uncertainties surrounding the US election and ongoing geopolitical tensions in the Middle East.

US GDP Growth:



Source: Bureau Of Labour Statistics

US/UK/Euro Inflation Rate:



Source: Trading Economics

The fixed income sector experienced significant volatility in October, with widespread declines across major government bond markets leading to a (3.71%) drop in the global bond index. The United States saw particularly notable movement, as the key 10-year Treasury yield climbed sharply by 50 basis points, reaching 4.3% by month's end. Investor anxiety surrounding the close US electoral race prompted a risk-off approach, resulting in the largest sell off since September 2022. This market behavior was driven by multiple factors: growing concerns about government debt and deficit levels, continued economic resilience suggesting a potential soft landing or no recession scenario, and heightened political instability.

The US economy continued to demonstrate resilience in the third quarter of 2024, growing at an annualized rate of 2.8%, but falling short of the 3% growth recorded in the previous quarter. Consumer activity remained particularly strong, with spending reaching its highest level since Q1 2023 at 3.7%, primarily driven by a substantial 6% increase in goods consumption, despite persistent inflationary pressures. October's employment data painted a more complex picture, with nonfarm payrolls adding just 12,000 jobs – the weakest showing since December 2020. This unusually low figure was significantly impacted by specific circumstances: strikes in the aerospace sector, notably at Boeing, which accounted for approximately 44,000 lost jobs (contributing to a total sector decline of 46,000 positions), and hurricane-related disruptions that affected the data collection period. Despite these temporary disruptions, the unemployment rate remained stable at 4.1%, meeting market expectations.

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 October2024.

	YTD	10/2024	10/2023	10/2022	10/2021	10/2020	10/2019	10/2018	10/2017	10/2016	10/2015	10/2014	10/2013
Best	SA Property 26.4	SA Property 51.6	Global Equity 12.1	Global Cash 22.6	SA Property 65.9	Global Fixed Income 13.9	Global Property 24.1	SA Fixed Income 7.8	Global Equity 30.3	SA Fixed Income 7.0	Global Property 31.4	Global Property 26.0	Global Equity 43.5
	SA Equity 14.8	SA Equity 27.2	SA Equity 8.3	SA Cash 4.5	SA Equity 36.0	Global Equity 13.1	Global Equity 14.8	Global Property 7.0	SA Equity 20.1	SA Cash 6.7	Global Equity 25.7	SA Property 19.4	Global Property 27.4
	SA Fixed Income 14.1	Global Equity 25.3	SA Fixed Income 7.9	SA Equity 3.3	Global Property 35.7	Global Cash 8.6	SA Fixed Income 13.0	SA Cash 6.6	SA Property 11.1	Global Fixed Income 4.1	Global Cash 25.0	Global Equity 19.1	SA Equity 26.2
	Global Equity 11.6	Global Property 23.4	SA Cash 7.5	SA Fixed Income 3.1	Global Equity 29.9	SA Cash 5.0	SA Equity 11.5	Global Cash 6.3	Global Property 10.9	SA Property 2.2	SA Property 20.2	SA Equity 12.5	SA Property 18.5
	SA Cash 6.8	SA Fixed Income 21.3	Global Cash 7.3	SA Property 3.0	SA Fixed Income 10.9	SA Fixed Income 4.9	Global Fixed Income 11.5	Global Equity 3.9	SA Cash 6.9	Global Property 1.5	Global Fixed Income 20.0	Global Cash 10.5	Global Cash 15.1
	Global Property 3.7	SA Cash 8.2	Global Fixed Income 2.8	Global Equity -3.2	SA Cash 3.5	SA Equity -5.8	SA Cash 6.6	Global Fixed Income 2.6	Global Cash 5.8	Global Equity 0.6	SA Equity 11.6	SA Fixed Income 9.0	Global Fixed Income 11.3
	Global Cash 1.0	Global Fixed Income 1.9	SA Property -1.3	Global Fixed Income -5.0	Global Cash -6.4	Global Property -16.0	Global Cash 4.4	SA Equity -8.4	SA Fixed Income 5.0	Global Cash -2.1	SA Cash 5.7	Global Fixed Income 8.7	SA Cash 4.8
Worst	Global Fixed Income -4.3	Global Cash -0.6	Global Property -4.0	Global Property -8.9	Global Fixed Income -8.7	SA Property -51.6	SA Property 0.8	SA Property -18.7	Global Fixed Income 4.5	SA Equity -3.4	SA Fixed Income 4.8	SA Cash 5.3	SA Fixed Income 4.1

Source: Morningstar Direct