



South African Market

South African equity markets declined for the third month in a row, lagging behind the broader emerging markets (EM) index during the period. The FTSE/JSE ALSI recorded a (0.29%) decline for the month. Despite this, South African equities delivered strong performance over the year, gaining 13.44% and outperforming most emerging market counterparts. The market's weakness was predominantly attributed to the poor showing in the resource sector, which fell by (5.94%). Performance was particularly impacted by platinum and gold mining stocks, which suffered from both declining commodity prices and broader sector weakness. Conversely, the industrial sector had positive growth for the month returning 2.72%.

Consumer prices in South Africa showed a modest uptick, with the local inflation (CPI) rising to 2.9% year-over-year, following a four-year low of 2.8%. This represents the first upward movement after five straight periods of decline, although the figure remains well below the South African Reserve Bank's target range of 3% to 6%. Food prices continued their downward trend, with inflation in this category dropping to 2.3% from 3.6%, reaching its lowest point since December 2010. Meanwhile, fuel costs saw a monthly increase of 0.81%, though the annual rate improved to (13.6%) from (19.1%). Core inflation, which strips out volatile components food and energy prices, decreased to 3.7% from 3.9%, marking its lowest level since early 2022.

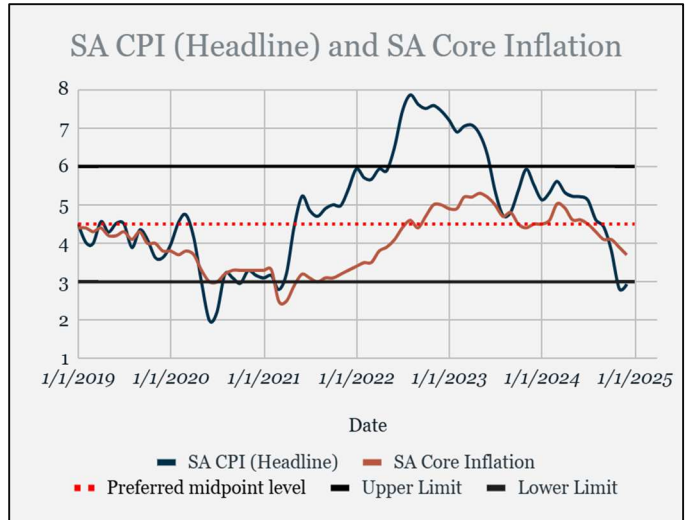
Asset Class Performance (ZAR):

As of 31 st December 2024	MTD	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global Equity	1.70	20.53	20.53	11.38	16.95	15.01
Global Property	(2.91)	5.68	5.68	(0.10)	6.38	8.67
Global Bond	2.06	(0.06)	(0.06)	(0.19)	3.23	4.59
Global Cash	4.87	8.73	8.73	10.04	8.84	6.92
SA Equity	(0.29)	13.44	13.44	8.68	12.16	9.03
SA Property	0.41	28.96	28.96	12.60	5.07	3.12
SA Bond	(0.35)	17.18	17.18	10.25	9.56	8.65
SA Cash	0.64	8.16	8.16	6.95	5.77	6.16

ZAR/USD (negative = Rand strength)	4.57	3.19	3.19	5.79	6.20	5.04
Gold	2.90	24.13	24.13	14.02	14.29	10.74
Brent Crude Oil	6.31	(1.10)	(1.10)	3.93	8.59	7.71

*Returns more than 1 year are annualized.

SA Inflation Rate:



Source: Trading Economics

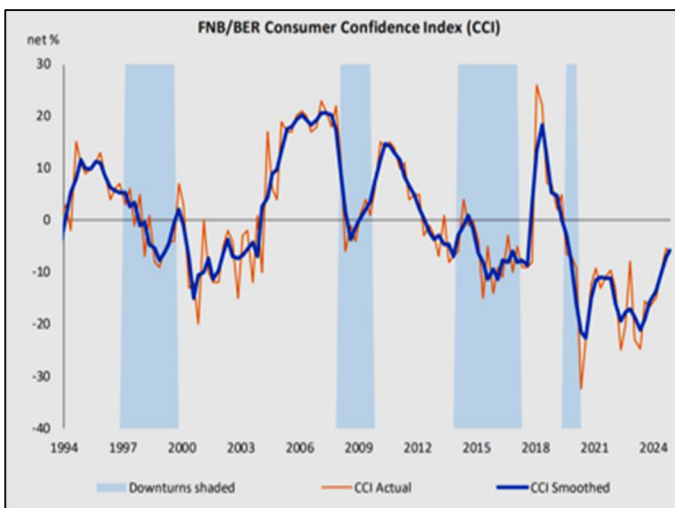
The inflation rate has stayed under the midpoint of the South African Reserve Bank's target range of 3%-6% since August, potentially creating room for further interest rate reductions in 2025. Following a period of holding the key rate at 8.25% for over a year, the Bank's Monetary Policy Committee (MPC) implemented rate cuts totaling 50 basis points since September. While inflationary pressures - a key focus for the MPC - have shown consistent moderation over the past five months, SARB Governor Lesetja Kganyago has cautioned about potential upside risks relating to a Trump victory. The committee is scheduled to make its next interest rate decision in late January.



The South African Rand extended its downward trend against the US Dollar, marking the third straight month of decline. The South African currency closed the month with a (4.57%) decline versus the greenback, ending the month at R18.88/USD. This depreciation was primarily driven by shifting market expectations around US interest rates, following the Federal Open Market Committee's revised economic forecasts in December. For the year, the Rand posted a (3.19%) loss against the Dollar. Nevertheless, despite the challenging final months, the Rand emerged as one of the top performers among major currencies versus the strong US Dollar in 2024, ranking fourth best globally.

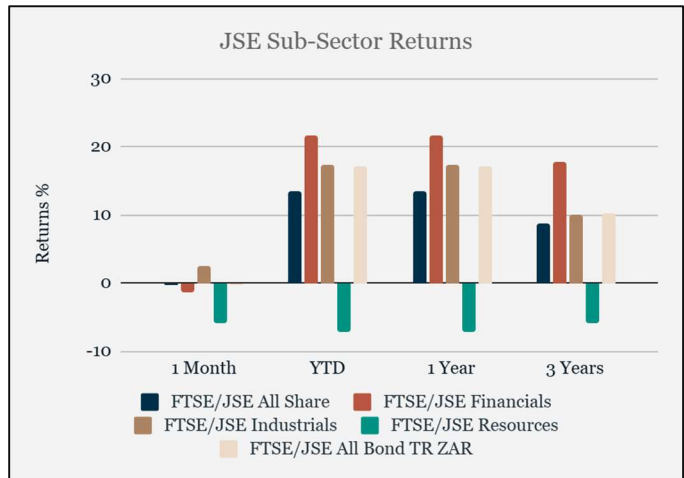
Following global bond market patterns, South African bond yields increased in December (pushing prices lower). South Africa's 10-year government bond yield climbed by 20 basis points to close the year at 10.28%, though this was still below its starting point of over 11% at the beginning of the year. The South African All-Bond Index (ALBI) recorded a monthly loss of (0.35%) as the upward movement in yields created capital losses. However, the ALBI's overall performance in 2024 was remarkable, delivering its strongest calendar-year return since 2003 with a 17.2% gain, and surpassing the FTSE/JSE ALSI for the second year running. The yield spread between South African and US bonds increased to 5.72%, up from 5.30% last month.

FNB/BER Consumer Confidence Index (CCI):



Source: BER, SARB

JSE Sub-Sector Returns:



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

South Africa's economic indicators presented a mixed picture at the close of 2024. The manufacturing sector continued to show signs of strain, with the Absa PMI, a key gauge of confidence in the manufacturing sector, falling to 46.2% from 48.1%, taking it further into negative territory below the neutral 50 mark. This marked the second straight monthly decline reversing the upward momentum seen in September and October. This downturn reflected broader challenges in the sector, including weakened business activity, reduced new orders, and significant logistical constraints. Export performance was particularly concerning, retreating to levels not seen since early 2024, highlighting the sector's vulnerability.

However, the consumer landscape offered a more resilient outlook. While the FNB/BER Consumer Confidence Index showed a slight dip to -6 from -5 in the previous quarter, remaining below its historical average, the overall trajectory since late 2023 suggested improving consumer sentiment. This relative optimism was supported by several positive factors: the absence of load-shedding, political stability under the newly formed Government of National Unity, currency strength, and favorable international oil prices. These conditions contributed to increased consumer spending willingness during the holiday season, despite the marginal quarter-on-quarter decline in confidence levels.

Global Markets

December brought a downturn across worldwide equity markets, with the MSCI ACWI declining (2.65%). This slump was triggered by the US Federal Reserve's aggressive interest rate outlook for the coming year, which rattled investor confidence. Despite equity markets ending the month down, the performance of US mega cap tech ensured that global growth stocks dominated for the second year in a row as the ACWI index ended the year up 16.81%. The global equity market's landscape showed a clear divide during the year as developed markets, bolstered by US momentum, achieved a 17.93% return for the year, while emerging markets posted an 8.05% annual gain, supported by a late surge in Chinese stocks and impressive showings from both Indian and Taiwanese markets.

US inflation increased for the second straight month, reaching 2.7% annually, a slight uptick from 2.6% in the previous month and matching market expectations. Housing costs remained a persistent driver of inflation, with shelter costs rising 4.7% year-over-year, continuing to be one of the more resistant components of US inflation. Food prices also saw accelerated growth, increasing to 2.4% annually from 2.1%. Core inflation, excluding volatile food and energy components, held steady at 3.3% for the third consecutive month.

Asset Class Performance (USD):

As of 31 st December 2024	MTD	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global Equity	(2.65)	16.81	16.81	5.33	10.14	9.52
Global Property	(7.06)	2.41	2.41	(5.52)	0.19	3.48
Global Bond	(2.30)	(3.14)	(3.14)	(5.61)	(2.77)	(0.41)
Global Cash	0.39	5.37	5.37	4.06	2.50	1.82
SA Equity	(4.55)	9.94	9.94	2.78	5.64	3.82
SA Property	(3.88)	24.98	24.98	6.48	(1.04)	(1.80)
SA Bond	(4.61)	13.56	13.56	4.27	3.19	3.46
SA Cash	(3.66)	4.82	4.82	1.14	(0.38)	1.09

ZAR/USD (negative = Dollar strength)	(4.37)	(3.09)	(3.09)	(5.48)	(5.84)	(4.80)
Gold	(1.49)	20.30	20.30	7.83	7.64	5.45
Brent Crude Oil	1.76	(4.15)	(4.15)	(1.72)	2.27	2.56

*Returns more than 1 year are annualized.



Global Indices Trailing Returns:



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

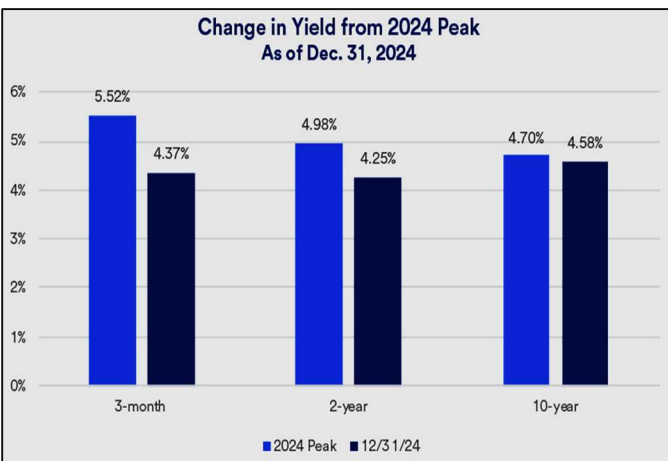
The Federal Reserve implemented another interest rate reduction of 25 basis points during its December 2024 Federal Open Market Committee meeting. This lowers the target interest rate range to 4.25% to 4.5%. This represents the Fed's third successive rate decrease, following a 25-basis-point cut in November and a larger 50-basis-point reduction in September. Along with this latest cut, the Fed's "dot plot," which shows individual committee members' rate projections, suggested that only two more rate reductions were likely in 2025.



The UK's annual inflation rate reached an eight-month peak of 2.6%, up from 2.3% in the previous month, meeting market expectations but exceeding the Bank of England's 2% target. Services inflation, a crucial metric monitored by the Bank of England, remained unchanged at 5%. Housing and household services emerged as a significant driver of consumer prices, showing a 3% annual increase. The core inflation measure, excluding energy and food costs, increased to 3.5% from 3.3% the previous month. In response to elevated CPI inflation, rising wage growth, and indicators suggesting persistent inflation, the Bank of England's Monetary Policy Committee maintained interest rates at 4.75% during its final meeting of the year.

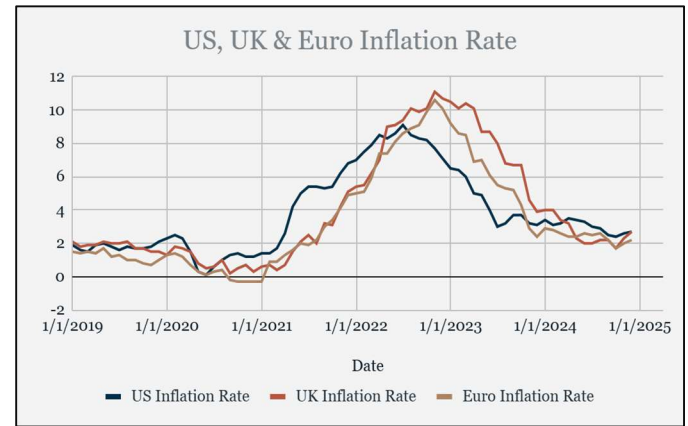
The US Dollar strengthened further in December, gaining 2.61% against all major currencies and ending the year up 7.06%. The Dollar reached its highest level in two years following the Federal Reserve's widely anticipated rate cut and signals of a slower pace of monetary easing. The Dollar's strength was further supported by weaker growth prospects outside the US and ongoing geopolitical uncertainties. Despite the Dollar hitting a nominal trade-weighted record high, gold had its strongest performance since 2010, advancing 20.30% for the year in Dollar terms. Oil markets saw gains during late December, driven by expectations of increased Chinese consumption following new economic stimulus measures. Brent Crude rose 1.76% for the month but still ended the year down (4.15%).

Yield changes 2024:



Source: US Treasury,

US/UK/Euro Inflation Rate:



Source: Trading Economics

The global bond market closed December with a (2.30%) decline and finished the year down (3.14%) as bond prices fell due to rising yields (and declining prices). The Federal Reserve's hawkish stance in December combined with concerns about US fiscal health pushed yields higher, with the US 10-year Treasury yield reaching 4.58% at year-end - up 40 basis points from November and marking its highest year-end level since 2006. Market volatility was driven by persistent inflation and robust labour market conditions. While rate cuts throughout the year lowered short-term yields, long-term yields increased over the year. Though the yield curve is no longer inverted, these movements have impacted investment performance and kept mortgage rates high.

December painted a largely positive picture of the US economy, marked by strong consumer activity and a recovering job market following earlier weather-related setbacks. The services sector demonstrated resilience, while economic growth exceeded expectations. The third quarter of 2024 saw the economy grow at a 3.1% annualized rate—surpassing the initial 2.8% projection—marking the year's strongest growth period. As the year drew to a close, fourth-quarter GDP forecasts remained above trend, contributing to an overall strong annual performance. The services sector maintained its momentum, notching its sixth straight month of expansion with a reading of 54.1%, improving from 52.1% the previous month. Manufacturing, while still in contractionary territory with a reading of 49.3%, showed signs of improvement from its previous mark of 48.4%, suggesting a gradual easing of the sector's challenges.



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 December 2024.

	YTD	12/2024	12/2023	12/2022	12/2021	12/2020	12/2019	12/2018	12/2017	12/2016	12/2015	12/2014	12/2013
Best	SA Prop-erty 29.0	SA Prop-erty 29.0	Global Equity 31.2	Global Cash 8.4	Global Property 41.3	Global Equity 22.8	Global Equity 23.4	Global Cash 18.4	SA Equity 21.0	SA Fixed Income 15.4	Global Property 36.6	Global Property 34.5	Global Equity 53.4
	Global Equity 20.5	Global Equity 20.5	Global Property 19.3	SA Cash 4.9	SA Prop-erty 36.9	Global Fixed Income 15.2	Global Property 20.6	Global Fixed Income 15.4	SA Prop-erty 17.2	SA Prop-erty 10.2	Global Cash 34.1	SA Prop-erty 26.6	Global Property 27.2
	SA Fixed Income 17.2	SA Fixed Income 17.2	Global Cash 13.1	SA Fixed Income 4.3	SA Equity 29.2	SA Fixed Income 8.7	SA Equity 12.0	Global Property 10.7	Global Equity 12.8	SA Cash 6.8	Global Equity 31.7	Global Equity 15.2	Global Cash 23.6
	SA Equity 13.4	SA Equity 13.4	Global Fixed Income 12.2	SA Equity 3.6	Global Equity 29.0	SA Equity 7.0	SA Fixed Income 10.3	SA Fixed Income 7.7	SA Fixed Income 10.2	SA Equity 2.6	Global Fixed Income 29.0	SA Equity 10.9	SA Equity 21.4
	Global Cash 8.7	Global Cash 8.7	SA Prop-erty 10.1	SA Prop-erty 0.5	Global Cash 8.7	Global Cash 5.4	SA Cash 6.6	SA Cash 6.6	SA Cash 6.9	Global Equity -3.8	SA Prop-erty 8.0	Global Cash 10.6	Global Fixed Income 18.2
	SA Cash 8.2	SA Cash 8.2	SA Fixed Income 9.7	Global Fixed Income -11.3	SA Fixed Income 8.4	SA Cash 4.5	Global Fixed Income 2.6	Global Equity 4.9	Global Property -1.0	Global Property -6.7	SA Cash 5.8	SA Fixed Income 10.1	SA Prop-erty 8.4
	Global Property 5.7	Global Property 5.7	SA Equity 9.3	Global Equity -12.6	SA Cash 3.5	Global Property -3.3	SA Prop-erty 1.9	SA Equity -8.5	Global Fixed Income -2.6	Global Fixed Income -10.3	SA Equity 5.1	Global Fixed Income 9.4	SA Cash 4.8
Worst	Global Fixed Income -0.1	Global Fixed Income -0.1	SA Cash 7.8	Global Property -20.9	Global Fixed Income 2.3	SA Prop-erty -34.5	Global Cash -0.7	SA Prop-erty -25.3	Global Cash -8.5	Global Cash -11.4	SA Fixed Income -3.9	SA Cash 5.4	SA Fixed Income 0.6

Source: Morningstar Direct