monthly

RETURNS REPORT

01 March 2024

SIMEKA

member of Sanlam group

Investment return report for

Sanlam Umbrella Provident Fund: Sanlam Group

on

01 March 2024

Please note that the information in this report prior to 31 December 2022 is based on the investment returns and indices of the Sanlam Staff Umbrella Provident Fund. The bulk of the assets were transferred into the Sanlam Umbrella Provident Fund: Sanlam Group in December 2022, with the returns in the latter Fund being used effective 1 January 2023. Assets in respect of the living annuitants and paid-up members were transferred into the Sanlam Umbrella Provident Fund: Sanlam Group on 1 August 2023.

The underlying investment returns in respect of members who are still in SSUF (i.e. outstanding transfers) will be similar to the investment returns shown in this regard.

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As from 1 May 2011 the name of the Fund changed from Sanlam Retirement Fund B (Office Staff) to Sanlam Staff Umbrella Provident Fund

As from December 2013, the Oasis Crescent portfolio was replaced by the Sanlam NUR Balanced portfolio. All contributions received for December 2013 for investment in the Oasis Crescent portfolio was invested in the Sanlam NUR Balanced portfolio. The assets invested in the Oasis Crescent portfolio were transferred to the Sanlam NUR Balanced portfolio on 24 February 2014.

With effect from 1 June 2015 the Simeka Lifestage Portfolios were replaced with the Sanlam Lifestage Portfolios and the Allan Gray Domestic Balanced Portfolio was replaced with the Allan Gray Global Balanced Portfolio. The assets were transferred on 29 May 2015. We have restated the indices in respect of the Allan Gray Domestic Balanced Portfolio prior to 1 June 2015 in order to reflect the combined investment return of the two Allan Gray portfolios. The Simeka Lifestage Accumulation indices prior to 1 June 2015 were similarly restated to reflect the combined investment return of the Simeka Accumulation portfolio and the Sanlam Lifestage portfolio. It was however not possible to combine the other Lifestage portfolios due to the different structures of the Simeka Lifestage and the Sanlam Lifestage portfolios.

With effect from 1 November 2018 the SIM Cash Fund was replaced with the SIM Enhanced Cash Fund. We have restated the indices in respect of the SIM Enhanced Cash Fund prior to 1 November 2018 in order to reflect the combined investment return of the two portfolios.

Investment in the SIM Reg28 Property Equity Fund started in January 2020.

The following name changes were effected since March 2020: Sanlam Lifestage Capital Protection Preservation Portfolio changed to Sanlam Capital Protection Portfolio; Sanlam Lifestage Living Annuity Preservation Portfolio changed to Sanlam Living Annuity Target Portfolio; Allan Gray Global Balanced changed to Sanlam Allan Gray Global Balanced and Coronation Managed changed to Sanlam Coronation Managed.

On 10 December 2020 the assets in the Sanlam Allan Gray Global Balanced portfolio was transferred to a direct pooled portfolio with Allan Gray Life Global Balanced.

In May 2021 the assets in the Sanlam Coronation Managed portfolio was transferred to a direct pooled portfolio with Coronation Managed.

As from 1 December 2022 the assets in respect of all active members were transferred to the Sanlam Umbrella Provident Fund.

On 1 August 2023 the assets in respect of living annuitants and paid-up members were transferred to the Sanlam Umbrella Provident Fund.

With effect from 1 October 2023 the SIM Reg28 Property Equity Fund was replaced by The Most Aggressive Portfolio, and The Satrix High Equity Balanced Fund was replaced by The Satrix Enhanced Balanced Tracker Portfolio.

Since October 2023, the Sanlam Wealth Creation and SMM Moderate Absolute Fund have been added as investment portfolios.

This report was compiled by Erien Kapp.

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Sanlam Umbrella Provident Fund: Sanlam Group
Summary of Returns

Return (net of fees and tax) over the period stated below, ended on 1 March 2024																
Period		Allan Gray Life Global Balanced	Coronation Managed Portfolio	Satrix High Equity Balanced Fund / Satrix Enhanced Balanced Tracker Portolio	SIM Aggressive Portfolio	SIM Moderate Portfolio	SIM Moderate Absolute Fund	SMM NUR Balanced Fund	Sanlam Stable Bonus Portfolio	Sanlam Monthly Bonus Fund	SIM Enhanced Cash Fund	Sanlam Lifestage Accumulation Portfolio	Sanlam Capital Protection Portfolio	The Most Aggressive Portfolio	SMM Moderate Absolute Fund	Sanlam Wealth Creation
3 months	over the period	2.33%	3.95%	3.38%	1.23%	1.78%	2.00%	2.45%	2.52%	2.23%	2.24%	3.35%	2.49%	3.15%	2.61%	3.72%
6 months	over the period	3.94%	5.64%	4.21%	3.12%	4.01%	3.91%	3.29%	4.70%	4.10%	4.52%	5.17%	4.64%	-	-	-
9 months	over the period	6.92%	10.91%	6.75%	4.32%	6.03%	7.57%	2.06%	7.50%	6.66%	7.53%	8.45%	7.40%	-	-	-
12 months	over the period	7.42%	8.97%	8.40%	3.07%	4.56%	7.04%	4.58%	10.27%	9.26%	9.51%	9.56%	10.14%	-	-	-
24 months	annualised	9.25%	9.67%	7.44%	5.04%	5.44%	7.02%	3.74%	8.27%	7.50%	8.07%	8.15%	8.14%	-	-	-
36 months	annualised	11.17%	10.88%	9.40%	7.35%	7.63%	7.87%	7.28%	8.04%	7.48%	7.00%	9.27%	7.91%	-	-	-
60 months	annualised	9.85%	11.74%	8.96%	7.96%	7.25%	7.96%	8.09%	7.37%	6.77%	7.08%	9.26%	7.25%	-	-	-
120 months	annualised	8.97%	8.79%	-	7.96%	7.50%	8.07%	6.33%	8.60%	8.09%	7.31%	7.80%	-	-	-	-
Since inception	over the period	1842.28%	1501.56%	51.86%	1048.49%	1409.00%	579.67%	91.14%	857.78%	667.32%	700.73%	241.09%	88.74%	7.04%	6.69%	9.46%
Since inception	annualised	14.26%	13.28%	7.43%	11.11%	10.61%	10.01%	6.58%	11.41%	10.23%	8.04%	10.03%	7.53%	n/a	n/a	n/a
Inception date		01/12/2001	01/12/2001	01/05/2018	01/01/2001	01/04/1997	01/02/2004	01/01/2014	01/04/2003	01/04/2003	01/04/1997	01/05/2011	01/06/2015	01/10/2023	01/10/2023	01/10/2023
Maximum drawdown	Over last 5 years	14.83%	19.17%	20.48%	18.57%	17.06%	n/a	13.28%	n/a	n/a	n/a	18.87%	n/a	n/a	n/a	n/a
Average monthly drawdown	Over last 5 years	1.98%	2.62%	2.61%	2.31%	1.86%	n/a	1.56%	n/a	n/a	n/a	2.43%	n/a	n/a	n/a	n/a
TER	as at 31 December 2023	1.35%	0.59%	0.35%	0.45%	0.40%	0.49%	0.94%	1.27%	2.02%	0.15%	0.86%	1.37%	1.16%	0.98%	1.05%

Please note:

The returns above are net of investment manager fees and retirement fund tax. Retirement fund tax has been abolished since 1 March 2007.
Published rates are time weighted to remove the effect of cashflows and are gross of investment manager fees and retirement fund tax and may therefore differ from returns published in this report.

There is currently a two day time lag on member records shown on the administrator's website and the actual position at the fund manager.This means that the investment data for each portfolio, reported on 1/12/2007 (for example) is actually the investment data as at 29/11/2007.

The Allan Gray Global portfolio was opened on 1/6/2015. The monthly returns before this date are the Allan Gray Domestic portfolio's returns.

The Sanlam Lifestage Accumulation portfolio was opened on 1/6/2015. The monthly returns before this date are the Simeka Lifestage Accumulation portfolio's returns.

This report summarises returns for the fund's total portfolio. Returns for a particular member may differ depending on actual cashflow, investment options and accumulated credits.

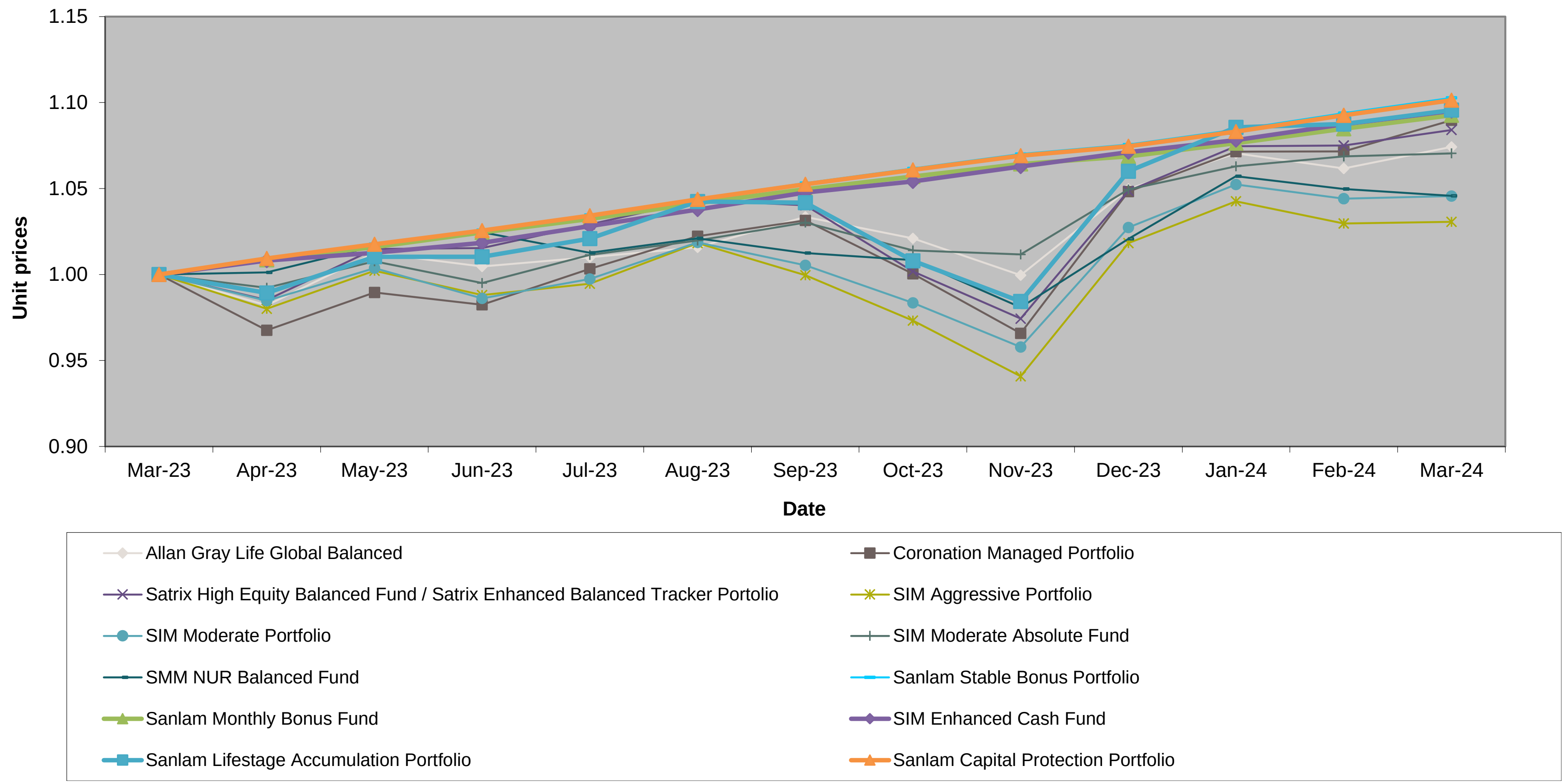
The maximum drawdown that is shown above is defined as the lowest cumulative negative return that a member's investment has earned over any period within the last 5 years. For example, if the maximum drawdown is 5%, then it means that over the last 5 years there was a period where a member's investment reduced to 95% of its highest value prior to the period of decrease. This measure, is a measurement of how volatile or risky a portfolio is, where the higher the drawdown the more riskier the portfolio.

The average monthly drawdown is defined as the average monthly negative return of all the months which the portfolio experienced a negative return.

The total expense ratio (TER) is a measure of the total cost associated with managing and operating an investment portfolio. These costs consists primarily of management fees and additional expenses, such as platform fees, performance fees etc. The total investment cost of the fund is divided by the fund's total assets to arrive at a percentage amount (using a rolling three year period if available), which represents the TER.

Sanlam Umbrella Provident Fund: Sanlam Group

Accumulated returns over a 1 year period (normalised)



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Sanlam Umbrella Provident Fund: Sanlam Group
Net Rates of Return

Date	Allan Gray Life Global Balanced	Coronation Managed Portfolio	Satrix High Equity Balanced Fund / Satrix Enhanced Balanced Tracker Portfolio	SIM Aggressive Portfolio	SIM Moderate Portfolio	SIM Moderate Absolute Fund	SMM NUR Balanced Fund	Sanlam Stable Bonus Portfolio	Sanlam Monthly Bonus Fund	SIM Enhanced Cash Fund	Sanlam Lifestage Accumulation Portfolio	Sanlam Capital Protection Portfolio	The Most Aggressive Portfolio	SMM Moderate Absolute Fund	Sanlam Wealth Creation
01/04/1997															
01/04/1998					13.6324%					12.6426%					
01/04/1999					-5.9713%					12.8228%					
01/04/2000					20.5913%					10.2822%					
01/04/2001					1.0744%					8.0508%					
01/04/2002				17.0589%	21.0537%					7.6405%					
01/04/2003	7.5164%	-10.7429%		-15.8278%	-16.8623%					9.2647%					
01/04/2004	39.6442%	31.1712%		30.1632%	28.5413%			9.9586%	9.1328%	9.0776%					
01/04/2005	27.9380%	30.5741%		24.3055%	23.1469%	17.8401%		13.6792%	13.2321%	6.7219%					
01/04/2006	51.4694%	39.8202%		41.6838%	38.1823%	24.8608%		16.8567%	14.3839%	5.9364%					
01/04/2007	34.0414%	31.4300%		26.8533%	25.5951%	11.3995%		28.4994%	24.7521%	7.2396%					
01/04/2008	6.3896%	6.4116%		1.8890%	4.5498%	4.3736%		20.7842%	17.7529%	9.9480%					
01/04/2009	-6.3619%	-13.3158%		-16.8026%	-13.4727%	0.0349%		6.2459%	4.9728%	12.9413%					
01/04/2010	25.5198%	34.7806%		30.2366%	27.4248%	14.6549%		7.4506%	6.3261%	8.1344%					
01/04/2011	14.8836%	13.4262%		12.8901%	11.5959%	9.3801%		10.3148%	9.3228%	6.7340%					
01/04/2012	11.5654%	10.7640%		10.9967%	11.7619%	12.3430%		9.3258%	8.3150%	5.6901%					
01/04/2013	18.1177%	25.2486%		18.4258%	21.0930%	13.3083%		13.8390%	11.6747%	5.5286%	22.5578%				
01/04/2014	13.8276%	22.5697%		21.8587%	18.9870%	14.0677%		20.2658%	16.6642%	5.5591%	21.7086%				
01/04/2015	10.8640%	11.4575%		14.2618%	17.4663%	11.3549%	3.2258%	14.6226%	15.2296%	6.4305%	16.2270%				
01/04/2016	12.8337%	5.0060%		5.8295%	5.6327%	8.7585%	4.9714%	10.3626%	9.9649%	6.9358%	1.1287%				
01/04/2017	4.8350%	7.3373%		6.9436%	3.9740%	6.9527%	4.6747%	8.3261%	7.7722%	8.1690%	3.3682%	8.1949%			
01/04/2018	5.1661%	2.9044%		3.9651%	5.3983%	5.0832%	2.0876%	8.1264%	7.4945%	8.0455%	4.2280%	8.0038%			
01/04/2019	6.2111%	4.2653%		8.6205%	6.5181%	9.7943%	8.6761%	6.5429%	5.8215%	8.3168%	5.4557%	6.4241%			
01/04/2020	-12.4659%	-14.6685%	-15.3570%	-12.6221%	-12.3158%	0.2467%	-10.3007%	7.1792%	6.4184%	8.4801%	-13.7766%	7.0530%			
01/04/2021	31.5418%	47.1775%	40.8333%	34.2944%	28.7105%	15.5004%	34.2302%	5.7262%	5.2234%	5.7224%	38.9276%	5.6310%			
01/04/2022	12.1491%	11.8318%	13.8094%	11.6396%	11.4942%	8.7573%	13.0358%	7.6226%	7.4813%	4.7738%	11.8118%	7.4957%			
01/05/2022	1.5158%	-1.5169%	-2.2320%	-1.4540%	-1.1831%	-0.1240%	-0.8635%	0.6235%	0.5969%	0.3796%	-1.7943%	0.6188%			
01/06/2022	-0.0863%	0.3538%	0.0280%	0.1104%	-0.0650%	0.0008%	-0.4519%	0.5945%	0.5685%	0.4848%	-0.2460%	0.5837%			
01/07/2022	-3.3271%	-5.3893%	-3.9591%	-4.5636%	-3.8738%	-2.8757%	-4.3567%	0.3123%	0.2753%	0.3732%	-4.0995%	0.3028%			
01/08/2022	1.7612%	4.1987%	2.6103%	2.8035%	2.8091%	2.2428%	2.0473%	0.1491%	0.1239%	0.4935%	2.7396%	0.1571%			
01/09/2022	-0.7447%	0.0343%	-0.3602%	-0.6545%	-0.2868%	0.4288%	-0.2095%	0.5226%	0.4984%	0.5962%	0.0937%	0.5102%			
01/10/2022	-0.7916%	-3.2231%	-4.1271%	-3.8875%	-3.7269%	-2.3827%	-1.5888%	0.5740%	0.5436%	0.3612%	-4.7170%	0.5633%			
01/11/2022	5.1896%	4.7405%	5.1602%	4.3630%	3.8762%	3.0314%	2.5091%	0.5061%	0.2987%	0.7796%	4.7592%	0.4891%			
01/12/2022	2.4437%	5.7009%	4.1423%	5.6743%	4.7489%	2.8796%	2.6004%	0.2206%	0.1799%	0.6035%	4.2116%	0.2117%			
01/01/2023	0.0206%	-1.4268%	-1.1992%	-0.8453%	-0.5573%	-0.5944%	-0.8020%	0.5764%	0.5615%	0.7962%	-0.6200%	0.5655%			
01/02/2023	5.2330%	8.0280%	5.8480%	6.6230%	5.5440%	4.7080%	4.2890%	0.6240%	0.6000%	0.6850%	6.3410%	0.6180%			
01/03/2023	0.7840%	-0.0990%	-0.3510%	-1.1630%	-0.7810%	-0.0470%	-0.9930%	0.7310%	0.7060%	0.5370%	-0.7350%	0.7200%			
01/04/2023	-100.0000%	-3.2410%	-1.4880%	-1.9890%	-1.5190%	-0.7750%	0.1250%	0.9360%	0.8500%	0.8100%	-1.0790%	0.9280%			
01/05/2023	3.0960%	2.2760%	3.0180%	2.2480%	1.9140%	1.5610%	1.5200%	0.8280%	0.7420%	0.4550%	2.1320%	0.8170%			
01/06/2023	-0.7740%	-0.7230%	0.0590%	-1.4130%	-1.7450%	-1.2530%	0.8040%	0.7950%	0.8290%	0.5640%	-0.0060%	0.7850%			
01/07/2023	0.5370%	2.1220%	1.3450%	0.6710%	1.1410%	1.6350%	-1.1700%	0.8610%	0.7710%	0.9620%	1.0480%	0.8510%			
01/08/2023	0.5740%	1.8890%	1.3720%	2.3850%	2.1320%	0.8320%	0.8220%	0.9190%	0.8880%	0.9320%	2.1160%	0.9090%			
01/09/2023	1.7420%	0.9020%	-0.2870%	-1.8460%	-1.3130%	1.0170%	-0.8310%	0.8670%	0.7750%	0.9590%	-0.0680%	0.8530%			
01/10/2023	-1.2120%	-3.0080%	-3.6954%	-2.6340%	-2.1700%	-1.5630%	-0.4080%	0.8000%	0.7110%	0.6140%	-3.2380%	0.7900%			
01/11/2023	-2.0980%	-3.4640%	-2.7380%	-3.3290%	-2.6050%	-0.2400%	-2.7250%	0.7950%	0.6960%	0.8200%	-2.3470%	0.7810%	-3.8270%	-0.3480%	-0.7500%
01/12/2023	5.0200%	8.5410%	7.6210%	8.2260%	7.2520%	3.7390%	4.0660%	0.5170%	0.4110%	0.7810%	7.6940%	0.5060%	7.8930%	4.3410%	6.3250%
01/01/2024	1.9730%	2.2030%	2.4790%	2.3920%	2.4380%	1.2800%	3.5650%	0.8010%	0.7100%	0.6550%	2.4100%	0.7950%	2.4880%	1.5030%	2.0240%
01/02/2024	-0.8260%	0.0230%	0.0410%	-1.2380%	-0.7850%	0.5440%	-0.6960%	0.8900%	0.7890%	0.8610%	0.1790%	0.8810%	0.0770%	0.5900%	0.6240%
01/03/2024	1.1840%	1.6840%	0.8350%	0.1020%	0.1480%	0.1640%	-0.3820%	0.8100%	0.7170%	0.7100%	0.7370%	0.7980%	0.5730%	0.5000%	1.0340%

Please note:

With effect from 1 June 2015 the Simeka Lifestage Portfolios were replaced with the Sanlam Lifestage Portfolios and the Allan Gray Domestic Balanced

Portfolio was replaced with the Allan Gray Global Balanced Portfolio. The assets were transferred on 29 May 2015. We have restated the indices in respect of the Allan Gray Domestic Balanced Portfolio prior to 1 June 2015 in order to reflect the combined investment return of the two Allan Gray portfolios.

The Simeka Lifestage Accumulation indices prior to 1 June 2015 were similarly restated to reflect the combined investment return of the two Accumulation portfolios. It was however not possible to combine the other Lifestage portfolios due to the different structures of the Simeka Lifestage and the Sanlam Lifestage portfolios.

As from 1 December 2022 the assets in respect of all active members were transferred to the Sanlam Umbrella Provident Fund.

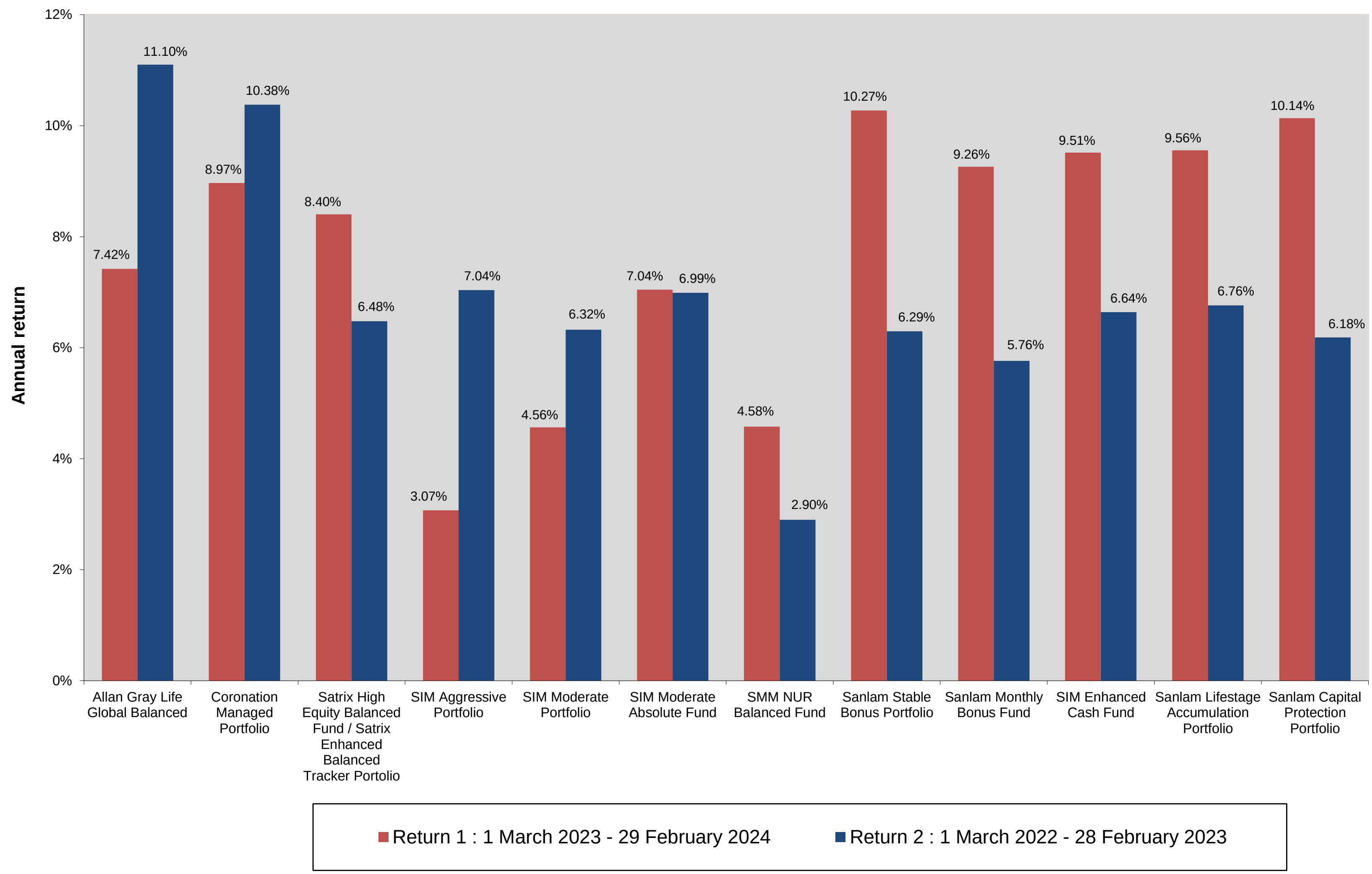
As from 1 January 2023 the investment return of the different portfolios under the Sanlam Umbrella Provident Fund are reflected in this report.

As from 1 October 2023 the SIM Reg28 Property Equity Fund was replaced by The Most Aggressive Portfolio, and The Satrix High Equity Balanced Fund was replaced by The Satrix Enhanced Balanced Tracker Portfolio.

Since October 2023, the Sanlam Wealth Creation and SMM Moderate Absolute Fund have been added as investment portfolios.

Sanlam Umbrella Provident Fund: Sanlam Group

Comparison of annualised returns for the last 2 years



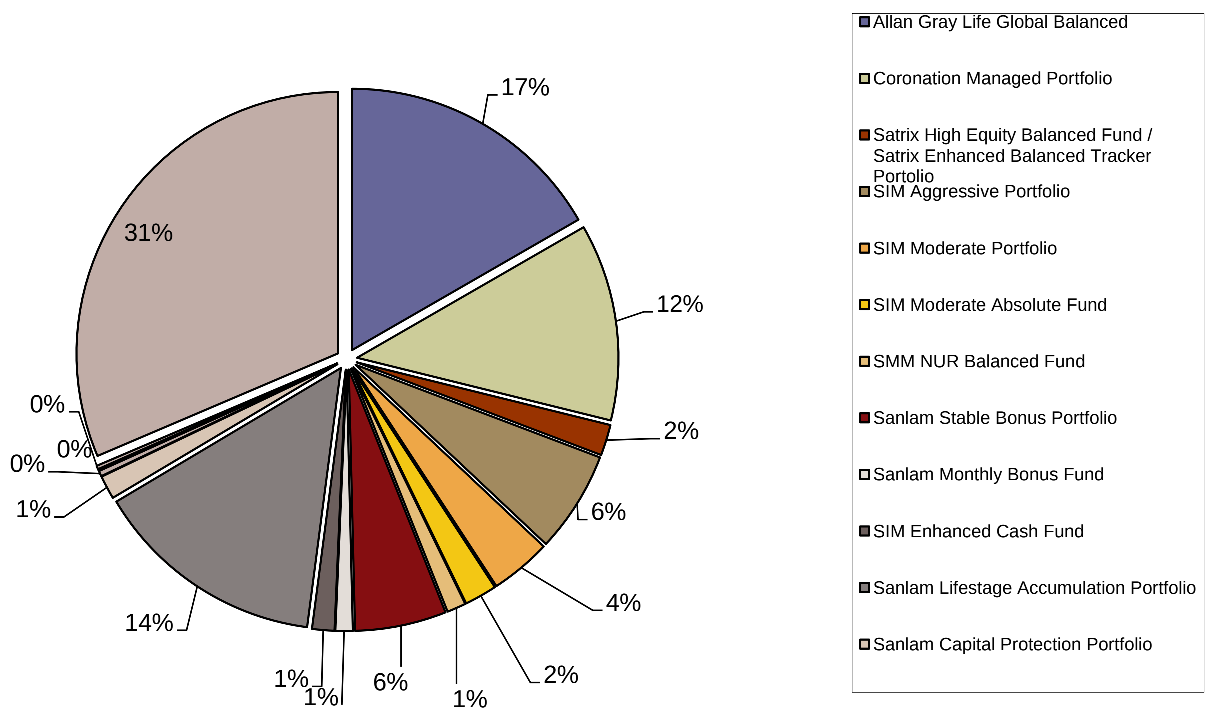
SIMEKA member of Sanlam group

Sanlam Umbrella Provident Fund: Sanlam Group
Asset Distribution as per Investment Portfolio

Asset Distribution as at 1 March 2024		
Investment Portfolio	Market Value	Exposure
Allan Gray Life Global Balanced	R 2,743,318,072.00	16.68%
Coronation Managed Portfolio	R 2,002,655,741.00	12.18%
Satrix High Equity Balanced Fund / Satrix Enhanced Balanced Tracker Portolio	R 314,204,396.00	1.91%
SIM Aggressive Portfolio	R 1,029,069,693.00	6.26%
SIM Moderate Portfolio	R 619,043,055.00	3.76%
SIM Moderate Absolute Fund	R 330,397,473.00	2.01%
SMM NUR Balanced Fund	R 192,856,166.00	1.17%
Sanlam Stable Bonus Portfolio	R 928,937,651.00	5.65%
Sanlam Monthly Bonus Fund	R 175,855,015.00	1.07%
SIM Enhanced Cash Fund	R 227,007,064.00	1.38%
Sanlam Lifestage Accumulation Portfolio	R 2,366,479,427.00	14.39%
Sanlam Capital Protection Portfolio	R 240,182,818.00	1.46%
Sanlam Wealth Creation	R 56,128,054.00	0.34%
SMM Moderate Absolute Fund	R 18,321,005.00	0.11%
The Most Aggressive Portfolio	R 36,111,674.00	0.22%
Glacier	R 5,166,114,918.00	31.41%
Total assets	**R 16,446,682,222.00**	**100.00%**

Asset values are based on un-audited information received from Sanlam Corporate

Asset distribution



Global Equities

Markets started the new year on a less solid footing than they ended 2023. Developed market equities posted modest gains in January, boosted by strong US Q4 GDP data and broad-based improvements in composite PMI indices, with the notable exception of the EU. US GDP expanded by 3.3% quarter-on-quarter (seasonally adjusted and annualised), while retail sales (the control group) surged 0.8% month-on-month, both well ahead of estimates. However, the release of December's inflation data dampened market optimism, as it was higher than expected, pushing expected rate cuts further out in time.

Inflation misses continued in February, when January's inflation print was again higher than expected. The headline rate eased to 3.1% from 3.4% but was higher than the 2.9% consensus estimate, whereas core inflation was unchanged at 3.9%, also ahead of the 3.7% estimate. Unsurprisingly, the US Federal Reserve (Fed) pushed back against a March rate cut, with Fed fund futures now only expecting the first rate cut in July. The quantum of rate cuts has also been pared back, with the market now pricing in only around 50 bps of rate cuts this year, down from 125 bps last month.

Given the risk of further delays to rate cuts from sticky wage inflation and supply-side cost pressures – particularly in the services sector – risk assets could give back some of their returns in the coming months. A higher-for-longer interest rate environment could still trigger a recession, even though the current expectation is for a soft landing. As geopolitical risks are elevated, supply-side cost pressures are also increasing again as conflict in the Middle East spreads, although not to the same extent as during the pandemic.

While the World Bank and International Monetary Fund (IMF) support the "soft-landing" scenario for 2024, as does the bond market, where the yield curve steepened further in January, there are downside risks to the outlook. Despite strong US non-farm payroll data for January, labour market signals indicate a rise in unemployment over the course of the year. In the US, weaker labour demand is reflected in declining hiring and quit rates, as well as declines in the number of job openings, which eventually feed through into higher unemployment. The Sahm Rule is also close to signalling a recession in the US. The Sahm Rule identifies signals relating to the start of a recession when the three-month moving average of the national unemployment rate rises by 0.5% or more relative to its low during the previous 12 months. At an unemployment rate of around 4%, not too dissimilar to the Fed's own estimate, the Sahm Rule would be triggered, signalling a recession. A slowdown in growth can already be seen in the UK, Japan and Germany, where fourth quarter GDP releases (in February) showed these economies have moved into a technical recession, defined as two consecutive quarters of negative growth. The EU, in turn, narrowly avoided a technical recession, with growth coming in at 0% quarter-on-quarter.

The MSCI World Index gained a further 1.2% in dollars and 2.9% in rands, despite the inflation misses and deferral of interest rate cuts until later in the year. In contrast, emerging markets came under pressure on concerns about slowing Chinese growth and the lingering impact of new gaming restrictions on Tencent and NetEase. The ongoing decline in property investment, foreign direct investment and export growth, coupled with deepening deflation, weighed on stocks. The CSI 300 Index declined by 7.2% in dollars, while the Hang Seng Index was 9.2% lower. Given China's weighting in the MSCI Emerging Markets Index (it is now 23.8% versus more than 40% a couple of years ago), the composite benchmark return was down by about 4.6% in dollars and -3% in rands. Japanese stocks reached a new high, buoyed by recent governance reforms that have led companies to increase shareholder returns via share buy-backs and higher dividend pay-outs, and a shift from deflation to inflation. The upswing in the leading economic indicator – pointing to robust earnings growth in the year ahead – also drove equity market returns.

In line with the more cautious outlook for the year ahead, expected earnings per share have been trending lower. Forward earnings are now expected to decline by 2.5% this year, down from -1.9% the previous month. As a result of the sharp gains in the MSCI World Index over the past few months, equity valuations have become stretched: the forward price-to-earnings ratio has risen to 19.5X earnings, well above the 16.1X mean. The margin of safety between earnings per share and prices has closed materially, highlighting the risk of a pullback in prices. In contrast, forward earnings for emerging markets were revised marginally higher from 3.9% to 4.1%, reflecting expectations of stable growth this year. After the sell-off in emerging market equities in January, the forward price-to-earnings ratio was unchanged at 14.1X, also ahead of the 12.7X mean. However, if inflation continues to be above the 2% target of most developed market central bankers, the rate-cutting cycle could be short and shallow, informing a more neutral weighting in risk assets, despite current optimism about earnings growth in the second forecast year. A defensive, high-quality bias is recommended for equities in the near term, followed by a tilt towards more cyclical counters in the latter half of the year, including exposure to commodities and emerging market equities.

Global Bonds and Listed Property

Global bonds gave back some of their recent gains in January, as inflation misses in the US, better-than-expected GDP growth and a broad-based expansion in composite PMIs pushed bond yields higher. The Bloomberg Capital Global Aggregate Bond Index yielded -1.4% in dollars (0.3% in rands) as yields increased from 3.51% to 3.59%. Emerging market bonds also yielded negative returns (-0.6% in dollars) as higher yields and a widening spread offset the higher absolute yields on offer. US Treasury yields were higher, with the 10-year yield increasing from 3.87% to 3.96%. The spread between the 10-year and two-year Treasury yield increased from -0.38% to -0.29%, reflecting the soft-landing scenario priced into the bond market. Breakeven inflation was also higher, with five-year and 10-year US rates increasing to 2.26% and 2.24% respectively. Despite higher-than-expected inflation, inflation-linked bonds yielded -1.7% in dollars as yields on the Bloomberg Capital Global Government Inflation-Linked Bond Index rose from 1.2% to 1.33%, reflecting expectations of a reduced number of rate cuts this year.

After a second consecutive month of inflation misses in the US, real yields continued to push higher in February, offering investors an opportunity to buy inflation-linkers at attractive real yields, as a hedge against rising inflation risks related to supply-side cost pressures and escalating geopolitical tensions. Fed fund futures have subsequently pared back the quantum of rate cuts expected this year to around 50 bps from earlier projections of 125 bps. The more conservative view is also at odds with the Federal Open Market Committee (FOMC)'s dot-plot, which is pencilling in 75 bps of rate cuts. Since yields have pushed higher across both the nominal and inflation-linked bond curves in February, an opportunity has arisen to overweight bonds and add to duration.

Global listed property stocks declined by 4% in dollars and 2.4% in rands in January, as bond yields pushed higher on inflation misses in the US and better-than-expected fourth quarter GDP growth. The sector derated, with the price-to-book ratio declining from 1.32X to 1.26X, below the historical mean of 1.46X. Since REITs currently trade at a 15% discount to net asset value and offer an attractive dividend yield of about 4.4%, there is still value to be found in listed property. Lower funding costs expected over the course of the year suggest that companies will be able to refinance expiring loans at lower rates than initially feared, mitigating the negative impact of higher rates on forward earnings growth. Lower funding costs will allow REITs to deleverage quicker by disposing of assets. Since loan-to-value ratios are stable at around 34%, and the debt maturity profile is reasonable, the sector is upweighted to overweight from neutral in the second half of the year as the rate cutting cycle commences.

In the month, data centres were the best performers (3.3%), driven by record leasing, while single-family residential properties (-1.2%) came in second, driven by Blackstone's acquisition of Tricon Residential for $3.5 billion, representing a 30% premium to the pre-deal price. Hotels (-1.9%) and malls (-3.2%) also outperformed, as the market priced in stronger than expected economic data, while defensive sectors such as self-storage (-7.8%), gaming (-6.1%) and healthcare (-5.8%) underperformed.

SA Equities

South African equities tracked their emerging market counterparts lower in January, weighed down by concerns about China's growth outlook. The JSE All-Share Index yielded -2.9% in rands and -4.6% in dollars. Since Chinese demand is weak as a result of negative wealth effects from declining house prices and a sharp sell-off in equities since February 2021, and property developers are struggling to remain solvent, demand for commodities is likely to remain slow unless government provides more aggressive stimulus measures. China's debt-to-GDP ratio is almost 288%, up 13.5% from the previous year, which requires a more targeted approach to stimulus measures. Further cuts to the required reserve ratio could be on the cards to help shore up growth, which is expected to slow to around 4.5% this year from 5.2% last year.

Unsurprisingly, South African resources stocks (-6.3%) came under selling pressure, driven by declines in both industrial metals counters (-5.8%) and precious metals stocks (-6%). Industrial metals declines were led by Kumba Iron Ore (-10%), Glencore (-9.7%) and BHP Group (-8.4%), while precious metals were driven lower by Impala Platinum (-19.7%), Anglo Platinum (-17.3%) and Northam Platinum (-10.2%).

After a contraction in third quarter GDP growth, SA Inc counters came under pressure. Both household consumption expenditure and gross fixed capital formation contracted in the quarter. The devaluation of the Nigerian naira presented a headwind for the telecommunications sector (-15%), with MTN (-17.3%), Vodacom (-11.9%) and Blue Label Telecoms (-9.8%) leading the decliners. Other SA Inc. sectors that sold off included industrials (-4.3%), with KAP Industrial Holdings (-14.9%), PPC (-9.5%) and Mondi PLC (-7.5%) the biggest decliners. Financials (-3.2%) were also lower. Among the large-cap stocks, FirstRand was -7.6%, Old Mutual -4.6% and Standard Bank -4%. Within healthcare (-2.5%), Adcock Ingram (-6.8%) and Aspen (-4.6%) were the underperformers, while consumer discretionary stocks (4.9%) were buoyed by gains in Richemont (9.7%), Mr Price (9.3%) and Advtech (9.3%).

Despite expectations of a modest pick-up in economic growth this year to about 1.2% from 0.7% last year, bottom-up consensus earnings estimates were revised marginally lower to 4.5% from 7.5% the previous month. The downward revision was largely due to lower earnings estimates for resources stocks, with earnings growth expected to slow from 5.5% to -3.4%. Other top-down measures of earnings growth, such as the SA Reserve Bank's leading economic indicator, paint a similar picture: trailing earnings are expected to slow from about 7.9% currently to around the mid-single digits. If nominal GDP is used as a proxy for earnings growth, earnings could increase by around 6.2%, which is similar to the bottom-up estimates. However, in the second forecast year, earnings are expected to grow at around 4.7% from the previous estimate of 1.5%. As a result, total returns in the second forecast year are in the low-to-middle double digits, ahead of the running yield expected from domestic bonds.

Even though domestic equities are cheap, trading on a rolling forward price-to-earnings ratio of 11X, bonds are expected to yield better risk-adjusted returns over the 12-month investment horizon. SA faces a number of milestones this year, from the National Budget (tabled in February), to the election in May and uncertainty about the appointment or reappointment of the SA Reserve Bank Governor and his deputies, which could create headwinds for the equity, bond and currency markets. Given these risks, along with expectations of near-term weakness in global equities, domestic equities are underweighted in balanced portfolios. In the second half of the year, however, equities are upweighted to overweight, given return expectations in the second forecast year. It is important to note that the base case view assumes a soft-landing scenario.

SA Bonds and Listed Property

Despite the increase in global bond yields, South African bonds yielded 0.7% in rands (-1% in dollars) as yields on the All-Bond Index only ticked up marginally from 11.23% to 11.27%. Inflation-linked bonds underperformed their nominal counterparts as real yields on the Cili Index increased by a wider margin, from 4.78% to 4.9%. Due to the high modified duration of the index, the rise in real yields capped the Cili's return at a positive 0.1% in rands. The increase in real yields reflects market expectations of fewer interest rate cuts this year, despite headline inflation coming in lower than expected at 5.1% and core inflation holding steady at 4.5%, the SA Reserve Bank's steady state rate. The change in market expectations can be seen in FRAs, which are currently pricing in 50 bps of rate cuts this year, down from initial expectations of 75 bps. The first interest rate cut is now expected in five months' time, in line with Fed fund futures pricing.

Since nominal bonds are yielding a real return above 6%, they are overweighted over the coming year. In the near term, however, bonds are downweighted to underweight, given key upcoming events such as the tabling of the National Budget in February and the national election in May. These events could trigger a rise in bond yields and a weakening in the exchange rate amid expectations of a deterioration in the country's fiscal metrics. A drawdown on the country's Gold and Foreign Exchange Contingency Reserve Account could realise about R250 billion to reduce the country's overall debt burden, but the Minister of Finance will have to contend with competing demands from SOEs for additional funding – particularly Transnet and Eskom - and political demands for public sector wage increases and an extension of the Social Relief of Distress Grant into perpetuity. As headline inflation is expected to stay above the 5% level for the first three quarters of the year, before slowing to around 4.5% in the fourth quarter, a neutral weighting is retained in inflation linkers, given the high modified duration risk embedded in the index. For the full year, however, inflation linkers are downweighted to underweight as inflation moderates to the midpoint of the SA Reserve Bank's target range.

South African listed property bucked the softer trend in global listed property in January, shrugging off higher bond yields to return about 4.1% in rands and 2.3% in dollars. It was the best-performing of all the broad asset classes. The sector rerated relative to the 10-year bond, with the property-to-bond yield ratio declining from 0.59X to 0.56X, well above the 0.85X mean. This suggests that property stocks are expensive relative to bonds. As the reporting season begins, all eyes will be on the state of the recovery in vacancies and rentals, with guidance likely to be cautious as debt books are still repricing largely upwards. Until now, reported escalations on new leases have been trending lower, while an oversupply of property in many subsectors, along with high vacancy rates, has weighed on distribution growth. Higher finance costs and liquidity constraints have also necessitated more capital retention, again pointing to lower distribution growth over the coming year. This is evident from month-on-month and year-on-year distributions, which have declined by 0.1% and 14.7% respectively. Although the sector does show value, as it is trading at a substantial discount to net asset value, return expectations lag those of the other broad asset classes, especially after the recent rally. As a result, an underweight position is retained in South African listed property.

Fortress A was the best-performing stock in the month, gaining 11.5%, after shareholders approved a proposal to simplify its structure through a NEPI Rockcastle share unbundling to Fortress B shareholders. Other gainers included SA Corporate (9.9%) and Redefine (8.3%). Hammerson (-6%) and Shaftesbury (-2.5%) declined after UK Gilts rose sharply, the rand strengthened and UK retail sales disappointed in December.

SA Cash

South African cash yielded 0.7% in rands and -1% in dollars in January, in line with the yield on the All-Bond Index. After the January Monetary Policy Committee (MPC) meeting, when the committee voted unanimously to leave the repo rate unchanged at 8.25%, the spread between the three-month Jibar rate and the FRAs – a measure of the size and timing of rate cuts – decreased, pointing to only 50 bps of rate cuts this year, rather than the 75 bps initially expected. This is less than the 75 bps priced into the SA Reserve Bank's Quarterly Projection Model (QPM), which projects a 2024 year-end repo rate of 7.5%. However, only one further rate cut is expected in 2025, bringing the repo rate down to 7.25%. Although the SA Reserve Bank's steady state rate of interest is 7%, the QPM does not anticipate any further rate cuts in 2026. The more subdued interest rate outlook could be attributed to an increase in inflation expectations. The Bureau of Economic Research's December inflation expectations survey showed that inflation expectations had risen to 5.7% for 2024 (from 5.5% previously) and to 5.6% (from 5.3% previously) for 2025. However, to achieve permanently lower inflation and interest rates requires inflation expectations to be closely anchored to the midpoint of the SA Reserve Bank's target range. At the current repo rate, the MPC argued that policy was restrictive, consistent with the inflation outlook and the need to address rising inflation expectations.

MARKET COMMENTARY

Alpha	Measures the difference between a portfolio's actual returns and its expected performance, given its level of risk.
ALSI	Index comprising all shares listed on JSE, weighted by market cap.
Active Risk	Risk taken by constructing a portfolio that is different from the benchmark.
ALBI	Index comprising all bonds listed on the Bond Exchange of SA.
Asset Allocation	The weightings given to every asset class, when a portfolio is constructed.
Barra Factor	The correlation a portfolio shows to a specific characteristic like liquidity.
Benchmark	The chosen reference index for comparison.
BETA	BETA is calculated using regression analysis. It may be thought of as the tendency of a security's returns to respond to swings in the market. A beta of 1 indicates that the security's price will move with the market. A beta of less than 1 means that the security will be less volatile than the market. A beta of greater than 1 indicates that the security's price will be more volatile than the market. For example, if a stock's beta is 1.2, it's theoretically 20% more volatile than the market.
Convexity	A measure of the curvature in the relationship between bond prices and bond yields. Positive convexity corresponds to curvature that opens upward. Negative convexity corresponds to curvature that opens downward.
Div Yield	Dividend yield of the share or index, stated as an annual percentage.
FRA	Forward Rate Agreement. An agreement that specifies an interest rate to be paid for a fixed period starting on a future date (e.g. 6x3 = 3 month interest rate starting in 6 months' time) applied to a notional amount. It reflects the market's expectation of the interest rate to apply over the future period.
Information Ratio	Measures the excess return of a manager divided by the amount of risk a manager takes relative to a benchmark. Alternatively, the information ratio is the excess return divided by the tracking error. The ratio therefore shows the risk-adjusted excess return of a fund over the benchmark.
JPM Global Bonds	JP Morgan Global Bond Index, often used as a benchmark for global bonds.
Mandate	Agreement in place between manager and client.
Modified Duration	Measurable change in the value of a security in response to a change in interest rates.
MSCI World	Morgan Stanley's Composite Index for global equity, an industry benchmark.
SRI	Socially Responsible Investments
Standard Deviation	A measure of the dispersion of a set of data from its mean. This is a widely-used measure of risk. There are, however, many other measures that can be used.
STeFi	Alexander Forbes' Money Market benchmark index.
Term Structure	Relationship between spot rates of zero-coupon securities and their term to maturity.
Total Risk	Sum of benchmark's risk and active risk taken.
Tracking Error	Tracking errors are reported as a "standard deviation percentage" difference. Basically it is the difference between the return received and the return of the benchmark. A tracking error of 5% implies that if the market goes up by 10% a year, the portfolio performance is expected to be between 5% and 15% over the next 12 months.

SIMEKA
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PERFORMANCE STATISTICS
29 February 2024

FTSE/JSE INDICES

Index	Current Index	Feb-24	3 Months	12 Months	3 Years	5 Years	10 Years
All Share Index	72730	-2.44%	-3.41%	-2.86%	7.53%	9.32%	10.61%
SWIX	13768	-2.19%	-2.49%	-2.06%	5.41%	6.62%	9.28%
SWIX 40	12386	-2.19%	-3.60%	-3.40%	4.21%	6.53%	9.31%
Top 40	66350	-2.48%	-4.55%	-4.20%	7.10%	9.79%	10.89%
SA Listed Property Index	342	0.83%	15.31%	17.58%	14.80%	0.62%	2.70%
Resource 20	50283	-7.17%	-13.76%	-20.41%	-3.90%	7.28%	7.57%
Industrial 25	101508	-0.64%	-1.48%	-0.25%	7.72%	10.77%	11.68%
Financial 15	17209	-0.85%	1.62%	10.04%	17.64%	5.01%	9.01%

INTERNATIONAL

Index	Current Index	Feb-24	3 Months	12 Months	3 Years	5 Years	10 Years
CAC 40 Index (Paris)	7927	3.54%	8.43%	9.07%	11.60%	8.63%	6.96%
DAX Index (Frankfort)	17678	4.58%	9.02%	15.05%	8.64%	8.95%	7.13%
DJ Industrial Index (New York)	38996	2.22%	8.47%	19.41%	8.03%	8.52%	9.70%
FTSE 100 Index (London)	7630	-0.01%	2.36%	-3.13%	5.58%	1.52%	2.79%
Hang Seng Index (Hong Kong)	16511	6.63%	-3.12%	-16.55%	-17.10%	-10.43%	0.18%
MSCI Emerging Markets Free Index US$	1021	4.63%	3.43%	5.91%	-8.65%	-0.58%	0.43%
MSCI World Index Gross Dividends US$	15366	4.28%	10.77%	25.59%	9.17%	12.22%	10.80%
NASDAQ Composite Index (New York)	16092	6.12%	13.11%	40.47%	6.85%	16.39%	15.47%
Nikkei 225 Index (Tokyo)	39166	7.94%	16.96%	42.71%	10.58%	12.87%	12.33%
Shanghai Securities Index (China)	3015	8.13%	-0.48%	-8.06%	-4.93%	0.50%	-0.84%
S&P 500 Index (New York)	5096	5.17%	11.57%	28.36%	10.17%	12.85%	11.59%

FIXED INTEREST

Indicator	Feb-24	3 Months	12 Months	3 Years	5 Years	10 Years
ALBI	-0.58%	1.62%	7.64%	7.18%	7.75%	7.04%
STeFI	0.65%	2.06%	8.30%	5.95%	5.98%	6.11%

INFLATION

Indicator	Feb-24	3 Months	12 Months	3 Years	5 Years	10 Years
SA CPI	0.09%	0.00%	5.32%	5.97%	5.11%	2.91%
SA PPI	0.10%	-24.40%	-19.98%	-0.23%	1.46%	4.66%
US CPI	0.54%	0.24%	3.09%	5.64%	4.15%	2.59%
CH CPI	0.29%	-0.10%	-0.86%	0.75%	1.48%	2.07%

Note: Inflation figures have a one month lag period

EXCHANGE RATES

Spot Prices	29-Feb-24	31-Jan-24	30-Nov-23	28-Feb-23	28-Feb-21
ZAR/US$	R 19.16	R 18.69	R 18.86	R 18.36	R 15.13
ZAR/EUR	R 20.73	R 20.21	R 20.53	R 19.42	R 18.26
ZAR/GBP	R 24.22	R 23.71	R 23.80	R 22.07	R 21.08

COMMODITIES

Spot Prices	29-Feb-24	31-Jan-24	30-Nov-23	28-Feb-23	28-Feb-21
Gold US$/oz	$2,032.80	$2,053.25	$2,035.45	$1,824.60	$1,742.85
Platinum US$/oz	$887.00	$924.00	$937.00	$951.00	$1,204.00
Oil (Brent) US$/barrel	$81.91	$80.55	$80.86	$83.45	$64.42

INTEREST RATES

Rate	29-Feb-24	31-Jan-24	30-Nov-23	28-Feb-23	28-Feb-21
SA REPO RATE	8.25%	8.25%	8.25%	7.25%	3.50%
ECB INTEREST RATE	4.50%	4.50%	4.50%	3.00%	0.00%
US FEDERAL RATE	5.50%	5.50%	5.50%	4.75%	0.25%

Note: Information stated as at the date indicated

BEST PERFORMING STOCKS OF THE MONTH ON THE JSE

Stock	1 Month	3 Month	6 Months	12 Months	PE Ratio
Richemont	8.94%	30.41%	14.12%	10.14%	45.52
Nepi Rockcastle	8.54%	17.97%	20.74%	24.22%	13.03
Anglogold Ashanti Ltd	6.80%	-0.90%	11.85%	16.42%	22.23
Reinet Investments SCA	3.15%	9.39%	19.70%	33.34%	-
British American Tobacco	2.98%	-4.48%	-8.71%	-18.05%	6.83

WORST PERFORMING STOCKS OF THE MONTH ON THE JSE

Stock	1 Month	3 Month	6 Months	12 Months	PE Ratio
Sibanye Stillwater	-13.16%	-4.47%	-30.86%	-46.46%	4.55
Northham Platinum	-13.04%	-9.85%	-11.90%	-27.48%	4.54
MTN Group Ltd	-12.60%	-18.88%	-30.60%	-42.34%	7.56
Sasol Ltd	-11.86%	-30.92%	-40.75%	-46.46%	3.72
Impala Platinum Holdings Ltd	-11.59%	-15.46%	-33.53%	-62.23%	7.06