Onshore Global ETF Portfolio

Q3 2024

Investment Objective

The portfolio aims to improve the long-term wealth of investors by holding investments which deliver both capital growth and income, while maintaining a medium risk profile. The investments are extensively researched to assess their intrinsic value over the longer term.

Portfolio Description

This actively managed share portfolio aims to provide a balanced investment solution across asset classes. The underlying investments include a well-diversified mix of equities, bonds, preference shares, real estate and cash. Total equity exposure is unlikely to exceed 70% of the portfolio. The portfolio predominantly comprises local index tracking exchange traded funds (ETF's) with an underlying exposure to offshore markets.

The portfolio is flexible, providing an indirect exposure to a broad range of geographies, industries, economic sectors, and currencies. The base currency is South African Rands.

Investor Criteria

- Seek meaningful long-term capital growth and income.
- Recognise the benefits of indirect offshore exposure.
- Are comfortable with a medium level of risk and short-term market fluctuations.
- Typically aim to invest for a period of 5 years or longer.

Risk Rating

1	2	3	4	5	6	7
Low risk						High risk

Asset Allocation (see through basis)

- Equities (79.1%)
- Bonds (9%)
- Property (4.6%)
- Cash (3.8%)
- Pref shares (3.5%)

Global Allocation (see through basis)

- US (26.8%)
- Europe (16.7%)
- UK (16.6%)
- Other (16.2%)
- Emerging Markets (13.8%)
- Japan (9.7%)

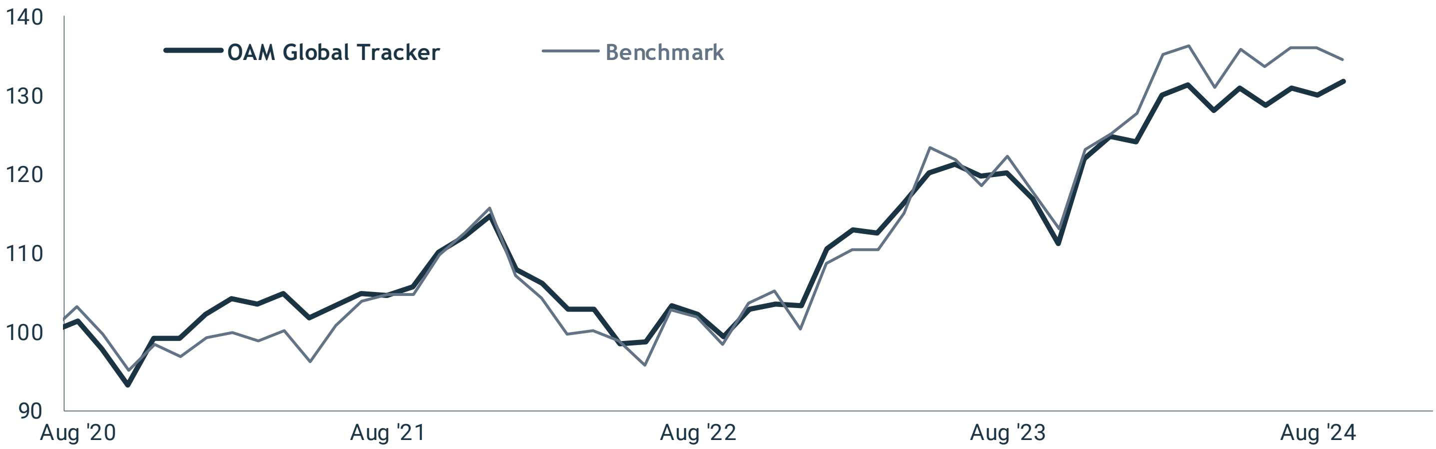
Performance

Growth	OAM*	Benchmark**
Annualised (%)	ZAR	ZAR
Inception 2020	6.82	7.35
3 years	7.63	8.64
2 years	15.12	16.83
YTD	5.55	7.42

*Performance figures are based on a typical portfolio.
***Performance figures are net of all fees** (including asset management, platform, trading and advisor fees).
** The Benchmark is comprised of 60% MSCI ACWI, 40% WorldBIG index (in ZAR terms)

Top 3 Holdings

FNB WORLD GOVBOND ETF	SATRIX MSCI WORLD ETF	SYGNIA EURO ETF



Local Market Review and Strategy Outlook for the quarter ended September 2024

Local markets enjoyed a steady increase in the third quarter (Q3), building on the optimism established with the formation of the Government of National Unity (GNU). Business, consumer and investor confidence also benefitted from the prolonged absence of load shedding, improvements in rail and port efficiencies, declining inflation and the launch of the South African Reserve Bank (SARB) interest rate easing cycle. The BER consumer confidence index jumped in Q3 from -10 to -5, its second consecutive 5-point increase to its highest level since 2019. Business confidence improved from 35 to 38, construction confidence from 35 to 40 and retail confidence from 39 to 45. Investor sentiment was fueled further by the start of the Federal Reserve's interest rate easing, quickly followed by massive stimulus from the People's Bank of China.

The All-Share index climbed 8.58% in the quarter lifting its year-to-date (YTD) gains to 12.56%. Despite the late push from China's stimulus, the Resources 10 index lost 2.06% in Q3 with a narrow 0.54% gain YTD. The best gains were recorded by the domestically focused Financial 15 index with returns of 12.53% and 18.80% in Q3 and YTD, respectively. The industrial 25 also fared well with the influence of China's re-rating benefiting Naspers, Prosus and Richemont, helping the index higher by 10.69% in Q3 and 15.51% YTD. The equity market returns were even more impressive in dollar terms given the 4.74% appreciation of the rand versus the US dollar over the quarter. YTD the rand appreciated 5.52% from R/$18.30 to R/$17.29. Bonds also provided solid returns. The All Bond 1–3-year Total Return index gained 10.60% in Q3 lifting its YTD increase to 16.74%, while the 10-year government bond yield compressed from 10.21% at the end of Q2 to 8.85% at the end of Q3, versus its end 2023 closing level of 9.77%. Continued central bank buying and strong interest from investors in China pushed the dollar gold price higher to $2635 versus $2063 at the end of 2023, representing Q3 and YTD percentage gains of 13.3% and 27.7%.

Rising confidence has not yet reflected in economic data. In Q2, GDP grew at a quarter-on-quarter annualized rate of 0.4%, better than the -0.1% contraction in Q1, but still leaving much room for improvement. The latest figures show some pickup in July with retail sales growing by 2% year-on-year and manufacturing production growing by 1.7% but mining production contracted by 1.4%. Forward looking purchasing managers' indices (PMI) point to a recovery. The September manufacturing PMI climbed from 43.6 to 52.8 back above the expansionary 50-level, while the latest economy-wide PMI for August climbed from 49.3 to 50.5. Although better, the economic data and even the survey results are slightly disappointing given all the good news. The country has been without load-shedding since 26th March and Eskom's Energy Availability Factor increased in Q3 to over 70% for the first time since mid-2020. Transnet's rail operations and port efficiencies have improved amid sweeping management changes, legislative reforms and greater private sector involvement. Equity market gains have been strong, but they belie continuing disinvestment by foreign investors totaling a net R97 billion YTD outflow.

Foreign investors are waiting for evidence of an economic recovery before committing capital. Recent equity market gains have been led by local investors and institutions and the market has been driven higher more by a re-rating of valuations than by actual earnings growth. Although the prospects have improved, the strong earnings growth which would result from an economic recovery has yet to emerge. Foreign investors were burnt in 2018 when the initial "Ramaphoria" quickly dissipated after the promised reforms of the "New Dawn" failed to materialize. Since 2018, the government debt-to-GDP ratio has deteriorated from 53% to 74% and debt service costs have increased from R163 billion to R356 billion, the unemployment rate has risen from 27% to 33%, corruption is still rife, and the country has been placed on the FATF grey list. However, there is now far greater support for structural reform reflected by a pro-business cabinet and strengthened institutions. Confidence over the durability of the GNU is also building. The ANC is working with its coalition partners to seek compromise on contentious legislation which it tried to hurry through parliament prior to the election, including the NHI Act and the Basic Education Laws Amendment Act. During his address at the UN General Assembly meeting in New York, president Ramaphosa described the formation of the GNU as a "second miracle", the first being the 1994 transition to democracy.

In his official statement accompanying the SARB's September policy meeting Governor Lesetja Kganyago said: "For the medium term, our growth projections have once again edged higher… premised on better-functioning network industries, especially electricity, alongside broader reform momentum." However, he continued "The pace of growth nonetheless remains below long-run averages of around 2%. A particular concern is investment, which has been contracting for four consecutive quarters. A stronger investment performance is a pre-requisite for sustained higher growth." The SARB projects a modest pick-up in GDP growth from 1.2% in 2024, to 1.4% in 2025 and 1.8% in 2026, but stronger economic activity is needed to tackle the country's elevated unemployment and extreme inequality.

While structural impediments to growth remain, there are clear signs of a cyclical recovery. Consumer price inflation, both at the headline and core level, have dropped comfortably below the mid-point of the SARB's 3-6% target range to 4.4% and 4.1%, respectively enabling a repo rate cut from 8.25% to 8.0%, the first interest rate cut since May 2023, when the policy rate was lifted to a 15-year high. Even after this latest cut the real policy rate, adjusted for inflation remains at a historically high level, signaling considerable scope for further rate cuts, possibly more than the 75 basis points being flagged by the SARB. The Federal Reserve's policy easing will remove pressure on emerging market currencies, including the rand, allowing for bolder rate cuts locally. China's monetary and fiscal stimulus package has also provided a strong boost, not just to its own domestic economy but to the global economy and notably to countries with close trade ties and a heavy dependence on raw material exports.

The jury is still out on whether South Africa's economy will attain the 3% growth rate that some institutions believe is achievable if structural reforms are implemented, or whether the economy climbs cyclically but fails to achieve greater than 2% growth. The Bureau for Economic Research is confident that growth can be "jump-started to over 3% if a set of reforms are implemented immediately". They include reforms in electricity, ports and rails, water, governance and tackling crime and corruption. Foreign ownership of South African equities has dropped sharply since 2018 from 18% to less than 10%. As confidence builds that the GNU will continue to flourish and with it the pace of reforms, foreign ownership will likely rise. In the meantime, the market is still cheap relative to its own history and versus other emerging markets and should continue to improve based on the cyclical upturn alone. As a result, the outlook for local markets is the brightest it has been for many years, lying somewhere between positive and very positive.